

**NEW ISSUE**  
BOOK-ENTRY-ONLY

**PRELIMINARY OFFICIAL STATEMENT**

**\$6,765,000\***  
**CITY OF DAYTON, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2020A**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, June 3, 2020 at 10:15 A.M. E.D.T.  
Through the Facilities of **PARITY**<sup>®</sup>  
and at the offices of  
Cumberland Securities Company, Inc.



SINCE 1931

**CUMBERLAND SECURITIES**  
INDEPENDENT FINANCIAL ADVISOR

May 27, 2020

\*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 MAY 27, 2020

## 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.)*

# \$6,765,000\*

## CITY OF DAYTON, TENNESSEE

### General Obligation Refunding Bonds, Series 2020A

Dated: Date of delivery (Assume June 25, 2020).

Due: June 1, as shown below.

The \$6,765,000\* General Obligation Refunding Bonds, Series 2020A (the “Bonds”) issued by the City of Dayton (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, 2020 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. A portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City’s electric system, and a portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City’s water and sewer system. See section entitled “SECURITIES OFFERED – Security”. See section entitled “SECURITIES OFFERED – Security”.

The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028.

<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>
2021	\$ 635,000				2032	\$ 245,000			
2022	610,000				2033	250,000			
2023	610,000				2034	255,000			
2024	590,000				2035	260,000			
2025	215,000				2036	270,000			
2026	220,000				2037	275,000			
2027	225,000				2038	280,000			
2028	225,000				2039	290,000			
2029	230,000				2040	300,000			
2030	235,000				2041	305,000			
2031	240,000								

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 Susan E. Arnold, 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 June , 2020.

## Cumberland Securities Company, Inc.

### Municipal Advisor

June 2020

\*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 DAYTON, TENNESSEE

## **OFFICIALS**

Gary Louallen  
Michelle Horton  
Thomas Solomon  
Michelle Horton  
Susan Arnold

*Mayor*  
*Director of Finance*  
*City Manager*  
*City Recorder*  
*City Attorney*

## **COUNCIL MEMBERS**

Steve Randolph, Vice Mayor

Bobby J. Doss

Billy Graham

James Lewis

## **BOND REGISTRATION AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

## **BOND COUNSEL**

Bass, Berry & Sims PLC  
Knoxville, Tennessee

## **MUNICIPAL ADVISOR**

Cumberland Securities Company, Inc.



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## SUMMARY STATEMENT

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

The Issuer .....	City of Dayton, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered .....	\$6,765,000* General Obligation Refunding Bonds, Series 2020A (the “Bonds”) of the City, dated the date of issuance (assume June 25, 2020). The Bonds mature each June 1 beginning June 1, 2021 through June 1, 2041, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security .....	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are hereby irrevocably pledged. A portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City’s electric system (the “Electric System”). A portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City’s water and sewer system (the “W&S System”).
Purpose .....	The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the Bonds.
Optional Redemption .....	The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028. 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. See the section entitled “MISCELLANEOUS- Municipal Advisor; Related parties; Other” herein.
Underwriter.....	_____.
Bond Counsel .....	Bass, Berry & Sims PLC, Knoxville, Tennessee.

\*Preliminary, subject to change.

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

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

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

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 Gary Louallen, Mayor, 399 First Avenue, Dayton, Tennessee 37321, Telephone: (423) 775-1817; 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)**  
For the Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Beginning Fund Balance	\$2,775,315	\$3,417,109	\$3,943,586	\$4,571,596	\$7,297,681
Revenues	6,907,660	6,147,469	6,156,599	8,276,734	8,090,730
Expenditures	6,471,777	5,852,529	8,343,374	5,689,611	7,303,109
Other Financing Sources:					
Transfers	173,703	219,637	336,669	93,520	54,712
Insurance Proceeds	13,023	8,400	28,213	45,442	9,692
Bond/Note Proceeds	-	-	2,350,000	-	-
Proceeds from Sale of Capital Assets	19,185	3,500	99,903	-	-
Adjustments	-	-	-	-	-
<b>Ending Fund Balance</b>	<b><u>\$3,417,109</u></b>	<b><u>\$3,943,586</u></b>	<b><u>\$4,571,596</u></b>	<b><u>\$7,297,681</u></b>	<b><u>\$8,149,706</u></b>

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

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## SUMMARY NOTICE OF SALE

**\$6,765,000\***

### **CITY OF DAYTON, TENNESSEE**

### **General Obligation Refunding Bonds, Series 2020A**

NOTICE IS HEREBY GIVEN that the Mayor of the City of Dayton, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, June 3, 2020** for the purchase of all, but not less than all, of the City's \$6,765,000\* General Obligation Refunding Bonds, Series 2020A (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the 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®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

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

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume June 25, 2020). The Bonds will mature on June 1 in the years 2021 through 2041, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2020 and will be subject to optional redemption prior to maturity on or after June 1, 2028. Bidders must bid not less than one hundred percent (100.00%) 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. **The interest rate bid for each maturity of the Bonds shall not be less than three percent (3.00%) or more than 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 as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.**

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

/s/ Gary Louallen  
Mayor

**DETAILED NOTICE OF SALE**  
**\$6,765,000\***  
**CITY OF DAYTON, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2020A**

NOTICE IS HEREBY GIVEN that the Mayor of City of Dayton, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, June 3, 2020** for the purchase of all, but not less than all, of the City's \$6,765,000\* General Obligation Refunding Bonds, Series 2020A (the “Bonds”). Electronic bids must be submitted through *PARITY*® as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received by the 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 this “Detailed Notice of Sale”, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the *PARITY*® System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the *PARITY*® System.

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 June 25, 2020), bear interest payable each June 1 and December 1, commencing December 1, 2020, 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>
2021	\$ 635,000	2032	\$ 245,000
2022	610,000	2033	250,000
2023	610,000	2034	255,000
2024	590,000	2035	260,000
2025	215,000	2036	270,000
2026	220,000	2037	275,000
2027	225,000	2038	280,000
2028	225,000	2039	290,000
2029	230,000	2040	300,000
2030	235,000	2041	305,000
2031	240,000		

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 successful bidder for the Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only system is not required.

In the event that the Book-Entry-Only system for the Bonds is discontinued and a successor securities depository is not appointed by the 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) 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 City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. A portion of the Bonds, as designated by the City, shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City's electric system (the "Electric System"). A portion of the Bonds, as designated by the City, shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City's water and sewer system (the "W&S System").

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 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 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 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 will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of the rating agency that will be paid by the City.

Purpose. The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described in the *Preliminary Official Statement*; and (ii) the payment of legal, fiscal, administrative costs incident to Bonds

Optional Redemption. The Bonds maturing on June 1, 2029 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2028, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest

rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the 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 bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

**Bidding Instructions.** The 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 required to bid as to each maturity of the Bonds an interest rate of not less than three percent (3.00%) or more than five percent (5.00%) per annum for the Bonds.** There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**<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 this 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 this 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 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.

Any 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.

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. 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.

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 (by wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the 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 for the Bonds shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the 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 Official 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 bidders 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 each 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.

#### Establishment of Issue Price

- a. The successful bidder shall assist the City in establishing the issue price of the Bonds as more fully described herein. 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 Municipal Advisor, and any notice or report to be provided to the City may be provided to the Municipal 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 expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
  - 4. the 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.

Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Bonds, the City shall so advise the successful bidder. In such event, the City intends to treat the (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP

number within that maturity). The winning bidder shall advise the City promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. Bids will not be subject to cancellation in the event that the 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, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5<sup>th</sup>) business day after the sale date; or
  2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

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

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering Price Rule applies allocated to it until the close of the fifth (5<sup>th</sup>) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The City acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
1. “public” means any person other than an underwriter or a related party;
  2. “underwriter” means (A) any person that agrees pursuant to a written contract with the 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 third-party distribution agreement participating in the initial sale of the Bonds to the public);
  3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that the Bonds are awarded by the 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 and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the 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 are summarized in the *Preliminary Official Statement*.

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

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the 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 each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds will constitute a contract between the 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*, this 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/ Gary Louallen, Mayor



## **EXHIBIT A**

### **CITY OF DAYTON, TENNESSEE** **[\$ \_\_\_\_\_ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020A]**

#### **ISSUE PRICE CERTIFICATE** **(for Competitive Sales, if Hold the Offering Price Rule does not apply)**

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 Dayton, Tennessee (the “Issuer”).

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

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

**2. *Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 3, 2020.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial

sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

[NAME OF UNDERWRITER]

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

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

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

## EXHIBIT B

### CITY OF DAYTON, TENNESSEE [§ \_\_\_\_\_ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020A]

#### 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 Dayton, Tennessee (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
  - (a) [SHORT NAME OF UNDERWRITER] offered the Hold-the- Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
  - (b) As set forth in the [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. ***Defined Terms.***
  - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
  - (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”
  - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
  - (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different

maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 3, 2020.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

[NAME OF UNDERWRITER]

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

# BID FORM

Mr. Gary Louallen, Mayor  
399 First Avenue  
Dayton, Tennessee 37321

June 3, 2020

Dear Mr. Louallen:

For your legally issued, properly executed \$6,765,000\* General Obligation Refunding Bonds, Series 2020A (the "Bonds") of City of Dayton, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume June 25, 2020) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$ 635,000	—	2032	\$ 245,000	—
2022	610,000	—	2033	250,000	—
2023	610,000	—	2034	255,000	—
2024	590,000	—	2035	260,000	—
2025	215,000	—	2036	270,000	—
2026	220,000	—	2037	275,000	—
2027	225,000	—	2038	280,000	—
2028	225,000	—	2039	290,000	—
2029	230,000	—	2040	300,000	—
2030	235,000	—	2041	305,000	—
2031	240,000	—			

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\_\_\_\_\_ @ \_\_\_\_\_%.

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 Dayton, Tennessee, this  
3<sup>rd</sup> day of June 2020.

Respectfully submitted,

\_\_\_\_\_  
Gary Louallen, Mayor

Total interest cost from  
June 25, 2020 to final maturity \$ \_\_\_\_\_  
Less: Premium /plus discount, if any \$ \_\_\_\_\_  
Net Interest Cost \$ \_\_\_\_\_  
True Interest Rate ..... %

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

\*Preliminary, subject to change.



**\$6,765,000\***  
**CITY OF DAYTON, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2020A**

**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 Dayton, Tennessee (the “City”) of \$6,765,000\* General Obligation Refunding Bonds, Series 2020A (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 City Council on April 6, 2020 (the “Resolutions”).

The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described below and (ii) the payment of legal, fiscal, administrative costs incident to the Bonds.

**REFUNDING PLAN**

The City is proposing to issue the Bonds to refund the City’s outstanding: (1) General Obligation Bonds, Series 2011, dated July 15, 2011 (the “Series 2011 Bonds”) maturing June 1, 2021 and thereafter and (2) General Obligation Bonds, Series 2013, dated August 1, 2013 (the “Series 2013B Bonds”) maturing May 1, 2021 and thereafter (collectively, the “Outstanding Bonds”). The Outstanding Bonds will be called for redemption within 30 days of the closing.

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

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from their date of issuance and delivery (assume June 25, 2020). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2020. 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 shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. A portion of the Bonds, determined by the City, shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City's Electric System (the "Electric System"). A portion of the Bonds, determined by the City, shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the City's water and sewer system (the "W&S System").

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 or from the revenue of the Electric System or Water and Sewer System to the payments 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, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028 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 City Council of the City, 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"). 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) a portion of the proceeds from the sale of the Bonds, together with such other City funds as may be identified by the Mayor and, if applicable, investment earnings on the foregoing, shall be applied to the refunding of the Outstanding Bonds by paying such funds directly to the holders (or paying agents for the holders) of the Outstanding Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used 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.

## **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 (1) or clause (2) 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 obligations of any agency or instrumentally of the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

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

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the 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"), and
- 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.”

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## MISCELLANEOUS

### RATING

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

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

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

### COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on June 3, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 27, 2020.

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., 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, 2020 (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 rating changes of the bonds insured by such insurance companies were made or made in a timely manner as required by SEC Rule 15c2-2. 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-10;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-11 and B-12;
3. Information about the Bonded Debt Service Requirements – General Obligation and Post Office Revenue Only Debt Service Fund as of the end of such fiscal year as shown on page B-13;
4. Information about the Bonded Debt Service Requirements –Water and Sewer System as of the end of such fiscal year as shown on page B-14;
5. Information about the Bonded Debt Service Requirements – Electric System Revenue Only and Taxed Backed as of the end of such fiscal year as shown on page B-15;
6. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-16;
7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-17;
8. Summary of Revenues, Expenditures and Changes in Fund Balances - Electric Fund for the fiscal year as shown on page B-18;
9. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer Fund for the fiscal year as shown on page B-19;
10. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated approximate value of all taxable property for such year as shown on page B-25;
11. 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-25; and
12. The ten largest taxpayers as shown on page B-26.

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 as 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.

## **BONDHOLDER RISK - COVID-19**

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

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

The Issuer relies in part on the collection of tax revenues generated from commercial activity, such as sales taxes and business taxes. As long as quarantine and other “social distancing” measures remain in place, the Issuer expects that these tax revenues will be adversely impacted.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer’s finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer’s finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year. For the current fiscal year, the Issuer’s largest source of revenues is property tax revenues. Property tax revenues are due each year on October 1<sup>st</sup> and are delinquent on the last day of February of the following year, so all tax year 2019 taxes were required to be paid without any penalty by February 29, 2020. The Issuer has already collected in excess of 90% of its billed property taxes for tax year 2019, which is comparable to prior years. Economic uncertainties resulting from the COVID-19 outbreak may result in delays in collecting the remaining amount of tax year 2019 property taxes outstanding, which is a relatively small portion of the Issuer’s revenues, and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

The Issuer's second largest source of revenues is sales and use tax revenues as described in more detail in APPENDIX B. Such tax revenues are expected to comprise approximately 44% of the Issuer's revenues in the current 2020 fiscal year that ends June 30, 2020. All sales and use tax revenues are collected by the State, and the Issuer does not typically receive notice from the State of the Issuer's share of sales and use taxes collected for approximately 50 days after the close of each month. With respect to sales and use tax revenues for the most recent month for which information is available, the Issuer's local sales and use tax revenues for March 2020 increased 1.75% from the prior March. State shared sales tax increased 1.0% from the prior March. The Issuer has not received any information regarding sales and use tax revenues for any subsequent months.

The Issuer also collects other tax revenues such as business taxes that are expected to be materially affected by business closures and reduced economic activity resulting from the COVID-19 outbreak. Such revenues typically consist of less than 0.1% of the Issuer's revenues.

The administration for the Issuer has proposed a budget for the 2021 fiscal year commencing July 1, 2020 which anticipates a 3% decline in revenues. This projected decline in revenues is primarily due to the effect of the COVID-19 outbreak. This decline includes a projected 10% decline in sales tax revenues. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, these projected declines are uncertain and the ultimate amount of revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be significantly less or more than what has been projected in the Issuer's proposed budget. In the proposed budget, the Issuer has proposed certain cost reduction measures that will offset projected revenue reductions due to the COVID-19 outbreak.

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

The Issuer's liquidity position remains strong. As of April 30, 2020, the Issuer had in excess of \$4.5 million in reserves, which is approximately 60% of the Issuer's general fund budget. The Water and Sewer System unrestricted net position was \$4.6 million at June 30, 2019. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

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

the current economic environment, the Issuer is not able to provide sufficiently accurate updates to this information.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in this 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.

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## **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 Clerk



## **APPENDIX A**

### **LEGAL OPINION**





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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Dayton, Tennessee (the "Issuer") of its \$\_\_\_\_\_ General Obligation Bonds, Series 2020A (the "Bonds") dated \_\_\_\_\_, 2020. 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 City Council 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 corporate limits of the Issuer. A portion of the Bonds, as determined by the Issuer, is additionally payable from, but not secured by, revenues derived from the electric system of the Issuer, and a portion of the Bonds, as determined by the Issuer, is additionally payable from, but not secured by, revenues derived from the water and sewer system of 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 the 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,

## **APPENDIX B**

### **SUPPLEMENTAL INFORMATION STATEMENT**



## GENERAL INFORMATION

### LOCATION

The City of Dayton (the “City”) is located in Rhea County (the “County”) in the southeastern portion of the State of Tennessee, approximately 36 miles south of Chattanooga. The County is located in the Tennessee River Valley in the eastern part of the state. To the north, the County is bordered by Cumberland and Roane Counties and to the east by Meigs County and the Tennessee River. Hamilton County makes up the County’s southern border, and to the west, the County is bordered by Bledsoe County. The City of Dayton serves as the county seat. Other incorporated municipalities within the County are Graysville and Spring City. The 2010 US Census for the County was 31,809 and the City was 7,191.

### GENERAL

The land area of Rhea County is approximately 325 square miles.

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

As of February 2020, there are 37 communities that are accredited through the state program Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2018, accredited Tennessee Main Street communities generated \$145 million of public and private investment and nearly 1,200 new jobs. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

### TRANSPORTATION

The County is located 14 miles from Interstate Highways 75 and 18 miles from I-40. U.S. Highways 27 & 68 traverse the County, along with State Highways 30 & 60. Twenty motor freight companies serve the County, and rail service is provided by the Norfolk-Southern Railroad. The community air service is provided by Mark Anton Airport, 5 miles away. It has a 5,000-foot asphalt runway. The nearest commercial airport is the Lovell Field Airport in Chattanooga.

The nearest port facility is 30 miles to the south in Chattanooga on the Tennessee River. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south. The River borders Knox, Blount, Roane, Loudon, Meigs, Rhea, Marion, Hamilton, Hardin, Wayne, Decatur, Perry, Benton, Humphreys, Henry, Houston and Stewart Counties in the state.

## HISTORY

The Scopes Evolution Trial (also known as "The Monkey Trial") held in Dayton for eleven days in July 1925, was a theological argument between creation vs. evolution. The trial was as a result of a state statute that made it unlawful for any teacher in any educational institution supported by the public school funds to teach evolution. John Scopes was a high school science teacher in Dayton and was arrested on the misdemeanor of violating the statute.

The prosecution was headed by William Jennings Bryan, a three-time presidential nominee and a former Secretary of State. He was known as most celebrated orator of his day and was also a leader of the fundamentalist forces in the century, of which the Science-Bible issue was a facet. Heading the defense was Clarence Darrow, America's most famous criminal lawyer and an agnostic. He had been contacted by the American Civil Liberties Union. Hundreds of reporters descended on Dayton for the trial. Press coverage of this trial perhaps exceeded coverage of any event up to the time. Newspapers from all over the world sent not just reporters but editors to witness the courtroom battle. It was estimated that 10,000 visitors overran the town daily.

Many viewed the trial as a contest between the two greats, Darrow and Bryan. Darrow's interrogation of Bryan is one of the major facets of the proceedings. The jury convicted Scopes of violating the law, which was later overturned on a technicality.

*Source:* Rhea County.

## EDUCATION

There are two school systems that serve the County. The *Dayton City School System* has one elementary school with a fall 2018 enrollment of 841 and 59 teachers. The *Rhea County School System* serves the County with six schools, including four elementary schools, one middle school and one senior high school. The fall 2017 enrollment was 4,215 with 274 teachers.

*Source:* Tennessee Department of Education.

*Bryan College* is an independent, four-year Christian liberal arts institution in Dayton, Tennessee offering Associates' and Bachelors' degrees in 22 areas. Bryan's 125-acre hilltop campus is situated in Dayton within the foothills of the Smoky Mountains, and just forty minutes north of Chattanooga. Bryan College enrolls about 700 students each year.

*Source:* Bryan College.

*Chattanooga State Technical Community College* (the "CSTCC") is located in Chattanooga, Tennessee. It was founded in 1965. The fall 2018 enrollment was 8,338 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. The \$2.4 billion Wacker Polysilicon plant, which began production in early 2016 and is located in nearby Bradley County,

has three apprenticeship programs at CSTCC to help meet future employment needs. Chemical operator and mechanical and electrical/instrumentation apprentices will work one to two days a week at the plant in addition to their class work.

Chattanooga State has established Tennessee's first Early College Technical Centers in three area high schools. East Ridge, Soddy Daisy and Ooltewah high schools began offering postsecondary engineering courses in 2008. This initiative is collaboration between Chattanooga State and the Hamilton County Department of Education.

*Source:* Chattanooga State Technical Community College.

*The Tennessee College of Applied Technology at Harriman.* The Tennessee College of Applied Technology at Harriman (the "TCAT-H") is part of a statewide system of 26 vocational-technical schools. TCAT-H 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-H serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The TCAT-H began operations in 1970, and the main campus is located in Roane County. Fall 2017 enrollment was 701 students.

*Source:* Tennessee College of Applied Technology at Harriman.

## HEALTHCARE

*Rhea Medical Center.* Rhea Medical Center is a county-owned, non-profit hospital located in Dayton. The \$28 million facility opened and began providing services in 2007. It is governed by a seven-member board of directors. The hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations, whose standards are regarded as the most rigorous in the industry.

*Source:* Rhea Medical Center.

## POWER PRODUCTION

*Watts Bar Dam.* The Tennessee Valley Authority's (the "TVA") Watts Bar Dam is located along the Meigs and Rhea County line on the Tennessee River. Construction of Watts Bar Dam began in 1939 and was completed in 1942. Watts Bar Dam is 112 feet high and stretches 2,960 feet across the Tennessee River. The generating capacity at Watts Bar is 175,000 kilowatts of electricity. Watts Bar has one 60- by 360-foot lock that lifts and lowers barges as much as 70 feet from one reservoir to the next.

*Watts Bar Nuclear Plant.* TVA's Watts Bar Nuclear Plant is located just south of Watts Bar Reservoir on the Tennessee River near Spring City in Rhea County. It is TVA's third nuclear power plant. Construction began in 1973, and Unit 1 began full commercial operation in 1996. The winter net dependable generating capacity is 1,167 megawatts. The operating unit at Watts Bar is a pressurized water nuclear reactor. It makes electricity by splitting uranium atoms to produce steam. The steam is piped to the main turbine, which spins a generator to produce electricity.

In 1988 TVA suspended construction of Unit 2 because of a reduction in the predicted growth of power demand. The unit remained idle until 2007 when TVA approved funds for completion. The completion took \$4.5 billion to finish, and the unit was operational in 2016. See "RECENT DEVELOPMENTS" for more information.

There is another dam and nuclear plant to the south in nearby in Hamilton County:

*Chickamauga Dam.* TVA's Chickamauga Dam is on the Tennessee River just north of Chattanooga. Construction of Chickamauga Dam began in 1936 and was completed in 1940. Chickamauga Dam is 129 feet high and stretches 5,800 feet across the Tennessee River. The 60- by 360-foot Chickamauga lock lifts and lowers river craft about 50 feet between Nickajack and Chickamauga reservoirs. The generating capacity of Chickamauga Dam is 160,000 kilowatts of electricity.

*Sequoyah Nuclear Plant.* TVA's Sequoyah Nuclear Plant is located in Soddy Daisy in Hamilton County, on the banks of Chickamauga Reservoir. Sequoyah is TVA's second nuclear power plant. Construction began in 1969, and Unit 1 began full commercial operation in 1981. Unit 2 began operation the following year. The winter net dependable generating capacity is 2,320 megawatts. The operating units at Sequoyah are pressurized water nuclear reactors. The plant makes electricity by splitting uranium atoms to produce steam. The steam is piped to turbines, which spin generators to produce electricity.

*Source:* Tennessee Valley Authority.

## **MANUFACTURING AND COMMERCE**

The County has two industrial parks: the Dayton Industrial Park and the Spring City-Rhea County Industrial park. To the south in Hamilton County is the \$1 billion Volkswagen automotive plant, which has hired over 2,000 employees from surrounding areas.

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

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

*[balance of page left blank]*



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

### Major Employers in Rhea County

<u>Company</u>	<u>Product</u>	<u>Employment</u>
La-Z-Boy Chair Company	Furniture	1,400
Tennessee Valley Authority	Electric Power	1,100
Rhea County School District	Education	650
International Automotive	Automotive Parts	626
Bryan College	Education	475
Robinson Manufacturing Co.	Clothing	400
Suburban Manufacturing Co.	Heating Units	350
Rhea County	Government	200
Rhea Medical Center	Hospital	200
Wal-Mart Stores	Retail	200
Lowe's Home Centers	Retail	150
Spring City Care & Rehab Center	Healthcare	150
Kinro, Inc.	Windows and Doors	130
Fuji Specialty Products	Chemical Additives	100

Source: Southeast Industrial Development Association.

### EMPLOYMENT INFORMATION

For the month of March 2020, the unemployment rate for Rhea County stood at 5.9% with 12,860 persons employed out of a labor force of 13,669.

	<b>Unemployment</b>				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.7%	3.5%
<b>Rhea County</b>	<b>8.4%</b>	<b>7.4%</b>	<b>7.1%</b>	<b>6.5%</b>	<b>5.6%</b>
Index vs. National	135	140	145	148	156
Index vs. State	127	132	151	171	160

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

## 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>Rhea County</b>	<b>\$30,147</b>	<b>\$31,517</b>	<b>\$33,070</b>	<b>\$33,001</b>	<b>\$34,267</b>
Index vs. National	67	67	68	66	66
Index vs. State	76	77	77	75	75

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

## RECREATION

*Chickamauga Reservoir.* Chickamauga Reservoir stretches 59 miles upriver from the Dam to Watts Bar Dam through Hamilton, Rhea and Meigs Counties. The reservoir attracts millions of outdoor enthusiasts each year for fishing, boating, and swimming.

Chickamauga and other reservoirs on the Tennessee and its tributaries have prevented nearly \$5 billion in flood damage in the City of Chattanooga alone. Before TVA established Chickamauga and other reservoirs above Chattanooga, the City had one of the most serious flood problems in the nation. Now the river which threatened the City contributes to its economy as a major artery for barge traffic.

*Source:* Tennessee Valley Authority.

*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.

*Laurel-Snow Pocket Wilderness Area.* Laurel-Snow is a 2,259-acre natural area located in Rhea County. The natural area occurs on the Walden Ridge of the Cumberland Plateau. The site is named after two scenic waterfalls, Laurel Falls (80 feet) and Snow Falls (35 feet), and features two prominent overlooks. The natural area also has scenic creeks, steep gorges, geologic features, a small stand of virgin timber, and a wide variety of plants. The Cumberland Trail State Park, the state's only linear park, can be accessed from Laurel-Snow.

*Source:* Tennessee Division of Natural Areas.

*Piney Falls State Natural Area.* Piney Falls is a 440-acre natural area located in Rhea County where Little Piney and Soak Creeks have carved deep gorges into the Cumberland Plateau. It is a pristine forestland featuring creeks, deep gorges, waterfalls and old growth forest. Piney Falls is also recognized by the United States Department of Interior as a National Natural Landmark. It is one of only fourteen National Natural Landmarks in Tennessee. These landmarks are recognized as the country's best remaining examples of major biotic communities and geologic features. The Cumberland Trail State Park can be accessed from Piney Falls.

*Source:* Tennessee Division of Natural Areas.

*Stinging Fork Pocket Wilderness Area.* Stinging Fork Falls is a 783-acre natural area located in Rhea County. It is named for the 30-foot waterfall located within the Stinging Fork gorge. The creek flows over the fan shaped falls, then quickly slips through chutes, and tumbles over cascades below the falls. The gorge contains a second growth mixed mesophytic forest community. An oak-pine forest can be found along the gorge bluff. Indian Head Point provides a view of the gorge and creek 160 feet below. The Cumberland Trail State Park can be accessed from Stinging Fork.

*Source:* Tennessee Division of Natural Areas.

*Watts Bar Reservoir* Watts Bar Reservoir extends 72.4 miles northeast from the Dam to Fort Loudoun Dam through Rhea, Meigs, Roane and Loudon Counties. Watts Bar, located about midway between Knoxville and Chattanooga, is one of nine TVA dams on the Tennessee River. The reservoir attracts millions of recreation visits each year for boating, fishing, swimming, camping, and other outdoor activities. Watts Bar also creates a slack-water channel for navigation more than 20 miles up the Clinch River and 12 miles up its tributary, the Emory. The lock at Watts Bar handles more than a million tons of cargo a year, and the reservoir plays an important role in flood control. In conjunction with other tributary and main-river reservoirs above Chattanooga, it is of special value to that city, which is the point of greatest flood hazard in the Valley.

*Source:* Tennessee Valley Authority.

## **RECENT DEVELOPMENTS**

*Coil Design Corporation.* Coil Design Corporation invested \$3.4 million to establish its corporate headquarters and a manufacturing plant the former Goodman Manufacturing plant in Dayton. This will create nearly 70 jobs over two years and was operational in 2018. At the Rhea County facility, Coil Design Corporation will manufacture and design cooling and heating coils for original equipment manufacturers in the HVAC and refrigeration industries as well as the aftermarket.

*Goodman Manufacturing.* Despite adding 200 jobs and \$2 million to its facility in Dayton in 2013, the air conditioning and heating equipment plant closed the plant in mid-2016 to consolidate all of its production in a new \$417 million facility in Houston, Texas. This announcement also included the plant in Fayetteville, TN. With both plants closed it resulted in nearly 2,000 jobs lost in the state.

*Kayser-Roth.* Kayser-Roth, a hosiery manufacturing plant, closed at the end of 2018 after 105 years in business, affecting 85 employees. At its height in 1970's, Kayser-Roth was the largest plant in the county with nearly 600 employees.

*La-Z-Boy Inc.* La-Z-Boy, Rhea County's largest employer, invested approximately \$26 million from 2017-2020 and created 115 new jobs for an expansion of its facility in Dayton. The construction included expanding the current facility, the largest plant La-Z-Boy Inc. owns, as well as

adding a new Innovation Center and logistics facilities. La-Z-Boy first opened the Dayton plant in 1973.

*Nokian Tyres.* Finland-based Nokian Tyres will build a \$360 million facility, creating 400 new jobs, in Dayton. Construction began on the 830,000-square-foot facility in early 2018, with expectations to be completed in 2020. It will be the largest foreign direct investment in Rhea County's history. Nokian Tyres is the only tire manufacturer in the world to focus on customer needs in demanding conditions. The company supplies innovative tires to areas with special challenges for tire performance including snow, forests and harsh driving conditions. Four hundred workers at the Dayton Factory will produce approximately four million tires per year once the facility reaches full capacity. The company expects to hire as many as 200 of them by the end of 2019.

*STULZ Air Technology Systems Inc.* Announced in 2019, STULZ Air Technology Systems Inc. will establish manufacturing operations in Dayton. STULZ, a leading manufacturer of precision HVAC equipment and solutions, will invest \$2 million and create 250 jobs in Rhea County. With its global headquarters in Hamburg, Germany, STULZ operates ten other production facilities across the globe, employing more than 7,200 people. STULZ has more than 450 employees at its North American headquarters in Maryland.

*Tennessee Valley Authority.* Due to a massive, 2010 ash spill at a coal plant in Roane County, TVA has instituted a strategic vision that in 2015 it met a portion of its power needs through energy efficiency and demand response measures, nuclear power and natural gas.

In April of 2011 TVA announced plans to retire 18 coal-fired units at three of its older fossil plants, effectively closing one of the plants. This action is in an unprecedented agreement with the Environmental Protection Agency, four states and three environmental groups to settle complaints that the federal utility violated the Clean Air Act. TVA's board of directors approved the shutdown of two units at the John Sevier plant near Rogersville, Tenn., six at Widows Creek in North Alabama and all 10 units at the Johnsonville plant in Middle Tennessee. The permanent shutdowns, called retirements, will take place in phases through 2017 and will affect 300 to 400 workers. The combined idled and retired units will reduce TVA's coal-fired capacity by 2,700 megawatts out of total 17,000 megawatts generated by the country's largest public utility. The utility also has to invest \$3 billion to \$5 billion on pollution controls and \$350 million on clean energy projects. Penalties included a \$1 million to the National Park Service and the National Forest Service and a civil penalty of \$10 million to various entities, including the States of Alabama, Kentucky and Tennessee.

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

*Watts Bar Nuclear Plant.* Tennessee Valley Authority's ("TVA") Watts Bar Nuclear Plant is finishing construction of a second nuclear reactor that has been idle for more than forty years. When completed, the reactor will have a capacity of 1,100 megawatts, enough to power about 650,000 homes. It will be the first new nuclear generation unit of the 21<sup>st</sup> Century. The unit was about 22% completed and remained idle until early 2009 when construction began again to finish the unit. The

\$4.5 billion project was completed in 2016 (slower than originally expected). It is estimated that 3,200 contract workers were on site during construction. During construction, TVA payed Meigs and Rhea counties more than \$500,000 each year. Both counties have used those funds for school construction projects and other county government programs.

Located just south of Watts Bar Reservoir on the Tennessee River near Spring City in Rhea County, it is TVA's third nuclear power plant. Construction began in 1972, and in 1988 TVA suspended construction of Unit 2 because of a reduction in the predicted growth of power demand.

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

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**CITY OF DAYTON, TENNESSEE**  
Summary of Bonded Indebtedness

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) As of June 30, 2019 OUTSTANDING
\$ 1,400,000	(3) Public Improvement Revenue Bond, Series 2000 (Taxable)	May 2020	Fixed	\$ 125,741
1,200,000	Capital Outlay Notes, Series 2015	Nov 2026	Fixed	849,220
2,000,000	Capital Outlay Notes, Series 2017	2029	Fixed	1,734,000
350,000	Capital Outlay Notes, Series 2017	2024	Fixed	250,000
9,850,000	(5) General Obligation Bonds, Series 2012	June 2041	Fixed	7,975,000
6,000,000	(5) General Obligation Bonds, Series 2013	June 2041	Fixed	5,255,000
700,000	(5) Sewer System Capital Outlay Notes, Series 2015	Nov. 2025	Fixed	490,000
4,995,000	(5) General Obligation Bonds, Series 2018	June 2048	Fixed	4,995,000
3,000,000	(2) General Obligation Loan, Series 2008	May 2028	Variable	(4) 1,690,000
3,100,000	(3) Electric System Revenue Bonds, Series 2011	June 2031	Fixed	2,115,000
9,905,000	(4) General Obligation Bonds, Series 2017	June 2042	Fixed	9,905,000
\$ 42,500,000	<b>TOTAL BONDED DEBT</b>			\$ 35,383,961
\$ 6,765,000	(6) General Obligation Refunding Bonds, Series 2020A	June 2041	Fixed	\$ 6,765,000
(12,100,000)	Less: Bonds being refinanced or prepaid			(8,554,000)
(27,220,000)	Less: Revenue Supported Debt (Electric and Water and Sewer)			(30,636,000)
<b>\$ 9,945,000</b>	<b>NET TOTAL DEBT</b>			<b>\$ 2,958,961</b>

**NOTES:**

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements herein.
- (2) The City budgets to account for interest rate risk. Budget Rate 5.00%.
- (3) Electric Revenue-only bonds.
- (4) Supported by Electric System Revenue.
- (5) Supported by Water and Sewer System Revenue.
- (6) \$5,190,000 of the Series 2020A Bonds supported by Water and Sewer System Revenue and \$1,575,000 of the Series 2020A Bonds supported by Electric Revenues

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

**INTRODUCTION**

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are included herein and the table should be read in conjunction with those statements.

	For Fiscal Years Ended June 30					After Issuance
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>INDEBTEDNESS</b>						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$1,935,887	\$1,660,742	\$3,779,045	\$3,353,954	\$2,958,961	\$2,958,961
TOTAL TAX SUPPORTED	\$1,935,887	\$1,660,742	\$3,779,045	\$3,353,954	\$2,958,961	\$2,958,961
REVENUE SUPPORTED						
Electric Revenue and Tax Notes	\$4,886,000	\$4,630,000	\$4,363,000	\$13,995,000	\$13,710,000	\$11,776,000
Water & Sewer Rev & Tax Bonds	\$14,870,000	\$15,170,000	\$14,700,000	\$14,215,000	\$18,715,000	\$18,860,000
TOTAL REVENUE SUPPORTED	\$19,756,000	\$19,800,000	\$19,063,000	\$28,210,000	\$32,425,000	\$30,636,000
TOTAL DEBT	\$21,691,887	\$21,460,742	\$22,842,045	\$31,563,954	\$35,383,961	\$33,594,961
Less: Revenue Supported Debt	(\$19,756,000)	(\$19,800,000)	(\$19,063,000)	(\$28,210,000)	(\$32,425,000)	(\$30,636,000)
Less: Debt Service Fund	0	0	0	0	0	0
NET DIRECT DEBT	\$1,935,887	\$1,660,742	\$3,779,045	\$3,353,954	\$2,958,961	\$2,958,961
<b>PROPERTY TAX BASE (2)</b>						
Estimated Actual Value	\$ 557,852,277	\$ 569,150,941	\$ 582,767,975	\$ 582,287,062	\$ 587,629,308	\$ 620,771,967
Appraised Value	557,852,277	569,150,941	582,767,975	582,287,062	550,667,425	620,771,967
Assessed Value	179,067,209	182,498,995	186,990,897	187,519,247	178,279,713	201,283,053

Source: General Purpose Financial Statements and City Officials.



<b>DEBT RATIOS</b>	<b>For Fiscal Years Ended June 30</b>					<b>After Issuance</b>	
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2020</u></b>
TOTAL DEBT to Estimated Actual Value	3.89%	3.77%	3.92%	5.42%	6.02%	5.41%	5.41%
TOTAL DEBT to Appraised Value	3.89%	3.77%	3.92%	5.42%	6.43%	5.41%	5.41%
TOTAL DEBT to Assessed Value	12.11%	11.76%	12.22%	16.83%	19.85%	16.69%	16.69%
NET DIRECT DEBT to Estimated Actual Value	0.35%	0.29%	0.65%	0.58%	0.50%	0.48%	0.48%
NET DIRECT DEBT to Appraised Value	0.35%	0.29%	0.65%	0.58%	0.54%	0.48%	0.48%
NET DIRECT DEBT to Assessed Value	0.35%	0.29%	0.65%	0.58%	0.50%	0.48%	0.48%
<b>PER CAPITA RATIOS</b>							
POPULATION (1)	7,384	7,248	7,248	7,383	7,383	7,383	7,383
PER CAPITA PERSONAL INCOME (2)	\$ 33,070	\$ 33,001	\$ 34,267	\$ 34,267	\$ 34,267	\$ 34,267	\$ 34,267
Estimated Actual Value to POPULATION	75,549	78,525	80,404	78,869	79,592	84,081	84,081
Assessed Value to POPULATION	24,251	25,179	25,799	25,399	24,147	27,263	27,263
Total Debt to POPULATION	2,938	2,961	3,151	4,275	4,793	4,550	4,550
Net Direct Debt to POPULATION	262	229	521	454	401	401	401
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	8.88%	8.97%	9.20%	12.48%	13.99%	13.28%	13.28%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.79%	0.69%	1.52%	1.33%	1.17%	1.17%	1.17%

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

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

**Bonded Debt Service Requirements - General Obligation and Post Office Revenue Only Debt**  
As of June 30, 2019

**NOTES:**

2) The City budgets to account for interest rate risk. Budget Rate 5.00%.

**CITY OF DAYTON, TENNESSEE**  
Bonded Debt Service Requirements - Water and Sewer System

F.Y. Ended 6/30	As of June 30, 2019			General Obligation Refunding Bonds, Series			% 2020A Principal Repaid	Less:			Total Bonded			% All Principal Repaid
	General Obligation Debt - Water and Sewer			2020A				Refunded Bonds			Debt Service Requirements (1)			
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	\$ 605,000	\$ 668,509	\$ 1,273,509	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ 605,000	\$ 668,509	\$ 1,273,509	3.21%
2021	615,000	650,751	1,265,751	235,000	106,541	341,541		(220,000)	(198,350)	(418,350)	630,000	558,941	1,188,941	
2022	630,000	632,636	1,262,636	210,000	104,488	314,488		(210,000)	(191,750)	(401,750)	630,000	545,373	1,175,373	
2023	645,000	614,264	1,259,264	210,000	102,283	312,283		(220,000)	(185,450)	(405,450)	635,000	531,096	1,166,096	
2024	660,000	594,967	1,254,967	215,000	99,973	314,973		(205,000)	(178,850)	(383,850)	670,000	516,090	1,186,090	
2025	685,000	574,249	1,259,249	215,000	97,500	312,500	20.91%	(220,000)	(172,700)	(392,700)	680,000	499,049	1,179,049	20.41%
2026	705,000	552,496	1,257,496	220,000	94,920	314,920		(210,000)	(165,550)	(375,550)	715,000	481,866	1,196,866	
2027	655,000	530,294	1,185,294	225,000	92,170	317,170		(225,000)	(158,463)	(383,463)	655,000	464,001	1,119,001	
2028	675,000	509,144	1,184,144	225,000	89,245	314,245		(215,000)	(149,463)	(364,463)	685,000	448,926	1,133,926	
2029	695,000	486,744	1,181,744	230,000	86,208	316,208		(230,000)	(140,863)	(370,863)	695,000	432,089	1,127,089	
2030	720,000	463,069	1,183,069	235,000	82,068	317,068	42.77%	(225,000)	(131,663)	(356,663)	730,000	413,474	1,143,474	38.87%
2031	745,000	438,238	1,183,238	240,000	77,603	317,603		(245,000)	(122,663)	(367,663)	740,000	393,178	1,133,178	
2032	765,000	411,813	1,176,813	245,000	72,443	317,443		(235,000)	(112,863)	(347,863)	775,000	371,393	1,146,393	
2033	795,000	383,863	1,178,863	250,000	66,930	316,930		(260,000)	(103,463)	(363,463)	785,000	347,330	1,132,330	
2034	815,000	354,738	1,169,738	255,000	60,930	315,930		(250,000)	(93,063)	(343,063)	820,000	322,605	1,142,605	
2035	845,000	324,338	1,169,338	260,000	54,555	314,555	66.86%	(250,000)	(82,438)	(332,438)	855,000	296,455	1,151,455	59.94%
2036	875,000	292,888	1,167,888	270,000	47,795	317,795		(250,000)	(71,813)	(321,813)	895,000	268,870	1,163,870	
2037	905,000	260,838	1,165,838	275,000	40,640	315,640		(275,000)	(61,188)	(336,188)	905,000	240,290	1,145,290	
2038	940,000	226,756	1,166,756	280,000	33,215	313,215		(275,000)	(49,156)	(324,156)	945,000	210,815	1,155,815	
2039	970,000	189,788	1,159,788	290,000	25,515	315,515		(275,000)	(37,125)	(312,125)	985,000	178,178	1,163,178	
2040	1,005,000	150,863	1,155,863	300,000	17,395	317,395	94.12%	(275,000)	(24,750)	(299,750)	1,030,000	143,508	1,173,508	85.18%
2041	1,035,000	110,600	1,145,600	305,000	8,845	313,845		(275,000)	(12,375)	(287,375)	1,065,000	107,070	1,172,070	
2042	220,000	69,200	289,200	-	-	-		-	-	-	220,000	69,200	289,200	
2043	230,000	60,400	290,400	-	-	-		-	-	-	230,000	60,400	290,400	
2044	240,000	51,200	291,200	-	-	-		-	-	-	240,000	51,200	291,200	
2045	245,000	41,600	286,600	-	-	-	100.00%	-	-	-	245,000	41,600	286,600	95.78%
2046	255,000	31,800	286,800	-	-	-		-	-	-	255,000	31,800	286,800	
2047	265,000	21,600	286,600	-	-	-		-	-	-	265,000	21,600	286,600	
2048	275,000	11,000	286,000	-	-	-	100.00%	-	-	-	275,000	11,000	286,000	100.00%
	\$ 18,715,000	\$ 9,708,641	\$ 28,423,641	\$ 5,190,000	\$ 1,461,258	\$ 6,651,258		\$ (5,045,000)	\$ (2,443,994)	\$ (7,488,994)	\$ 18,860,000	\$ 8,725,905	\$ 27,585,905	

**NOTES:**

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

(2) The City budgets to account for interest rate risk. Budget Rate 5.00%.

(3) Estimated Interest Rates. Estimated Average Coupon of 2.33%.

**CITY OF DAYTON, TENNESSEE**  
Bonded Debt Service Requirements - Electric System (Revenue Only and Tax Backed)

F.Y. Ended 6/30	Senior Bonds Electric Revenue Bonds, Series 2011				Existing Subordinated Debt - Electric System Loan, Series 2008				Total Senior & Subordinated Debt Service Requirements(1)				Senior General Obligation Refunding Bonds, Series 2020A				Less: Refunded Bonds				Total Bonded Debt Service Requirements(2)				% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	\$ 140,000	\$ 360,050	\$ 500,050	\$ 156,000	\$ 84,500	\$ 240,500	\$ 296,000	\$ 444,550	\$ 740,550	\$ -	\$ -	\$ -	\$ 16,866	\$ -	\$ 16,866	\$ -	\$ -	\$ -	\$ 296,000	\$ 444,550	\$ 740,550	\$ 740,550	\$ -	\$ 740,550	2.51%
2021	480,000	355,850	835,850	163,000	76,700	239,700	643,000	432,550	1,075,550	400,000	12,913	412,913	16,866	(115,200)	(98,334)	(308,000)	(115,200)	(115,200)	735,000	334,216	1,069,216	1,069,216	334,216	1,069,216	
2022	495,000	341,450	836,450	171,000	68,550	239,550	666,000	410,000	1,076,000	400,000	8,713	408,713	12,913	(106,775)	(93,862)	(321,000)	(106,775)	(106,775)	745,000	316,138	1,061,138	1,061,138	316,138	1,061,138	
2023	510,000	326,225	836,225	179,000	60,000	239,000	689,000	386,225	1,075,225	375,000	4,313	379,313	8,713	(97,625)	(88,912)	(334,000)	(97,625)	(97,625)	755,000	297,313	1,052,313	1,052,313	297,313	1,052,313	
2024	520,000	310,538	830,538	187,000	51,050	238,050	707,000	361,588	1,068,588	375,000	-	375,000	4,313	(88,113)	(83,799)	(342,000)	(88,113)	(88,113)	740,000	277,788	1,017,788	1,017,788	277,788	1,017,788	
2025	545,000	293,775	838,775	195,000	41,700	236,700	740,000	335,475	1,075,475	375,000	-	375,000	-	(77,625)	(77,625)	(365,000)	(77,625)	(77,625)	375,000	257,850	632,850	632,850	257,850	632,850	30.96%
2026	585,000	279,900	864,900	204,000	31,950	235,950	789,000	311,850	1,100,850	375,000	-	375,000	-	(66,375)	(66,375)	(404,000)	(66,375)	(66,375)	385,000	245,475	630,475	630,475	245,475	630,475	
2027	590,000	264,200	854,200	213,000	21,750	234,750	803,000	285,950	1,088,950	375,000	-	375,000	-	(53,275)	(53,275)	(413,000)	(53,275)	(53,275)	390,000	232,675	622,675	622,675	232,675	622,675	
2028	605,000	245,670	850,670	222,000	11,100	233,100	827,000	256,770	1,083,770	375,000	-	375,000	-	(42,000)	(42,000)	(422,000)	(42,000)	(42,000)	405,000	216,820	621,820	621,820	216,820	621,820	
2029	615,000	226,335	841,335	-	-	-	615,000	226,335	841,335	375,000	-	375,000	-	(30,950)	(30,950)	(399,000)	(30,950)	(30,950)	415,000	200,335	615,335	615,335	200,335	615,335	
2030	625,000	206,730	831,730	-	-	-	625,000	206,730	831,730	375,000	-	375,000	-	(17,600)	(17,600)	(200,000)	(17,600)	(17,600)	425,000	189,130	614,130	614,130	189,130	614,130	48.11%
2031	635,000	186,455	821,455	-	-	-	635,000	186,455	821,455	375,000	-	375,000	-	(8,800)	(8,800)	(200,000)	(8,800)	(8,800)	435,000	177,655	612,655	612,655	177,655	612,655	
2032	450,000	165,910	615,910	-	-	-	450,000	165,910	615,910	375,000	-	375,000	-	-	-	(200,000)	-	-	450,000	165,910	615,910	615,910	165,910	615,910	
2033	460,000	153,760	613,760	-	-	-	460,000	153,760	613,760	375,000	-	375,000	-	-	-	(200,000)	-	-	460,000	153,760	613,760	613,760	153,760	613,760	
2034	475,000	141,340	616,340	-	-	-	475,000	141,340	616,340	375,000	-	375,000	-	-	-	(200,000)	-	-	475,000	141,340	616,340	616,340	141,340	616,340	
2035	485,000	128,515	613,515	-	-	-	485,000	128,515	613,515	375,000	-	375,000	-	-	-	(200,000)	-	-	485,000	128,515	613,515	613,515	128,515	613,515	67.69%
2036	500,000	115,420	615,420	-	-	-	500,000	115,420	615,420	375,000	-	375,000	-	-	-	(200,000)	-	-	500,000	115,420	615,420	615,420	115,420	615,420	
2037	510,000	101,920	611,920	-	-	-	510,000	101,920	611,920	375,000	-	375,000	-	-	-	(200,000)	-	-	510,000	101,920	611,920	611,920	101,920	611,920	
2038	525,000	88,150	613,150	-	-	-	525,000	88,150	613,150	375,000	-	375,000	-	-	-	(200,000)	-	-	525,000	88,150	613,150	613,150	88,150	613,150	
2039	540,000	72,400	612,400	-	-	-	540,000	72,400	612,400	375,000	-	375,000	-	-	-	(200,000)	-	-	540,000	72,400	612,400	612,400	72,400	612,400	
2040	560,000	55,253	615,253	-	-	-	560,000	55,253	615,253	375,000	-	375,000	-	-	-	(200,000)	-	-	560,000	55,253	615,253	615,253	55,253	615,253	90.06%
2041	575,000	38,425	613,425	-	-	-	575,000	38,425	613,425	375,000	-	375,000	-	-	-	(200,000)	-	-	575,000	38,425	613,425	613,425	38,425	613,425	
2042	595,000	19,338	614,338	-	-	-	595,000	19,338	614,338	375,000	-	375,000	-	-	-	(200,000)	-	-	595,000	19,338	614,338	614,338	19,338	614,338	100.00%
	\$ 12,020,000	\$ 4,477,480	\$ 16,497,480	\$ 1,690,000	\$ 447,300	\$ 2,137,300	\$ 13,710,000	\$ 4,924,780	\$ 18,634,780	\$ 1,575,000	\$ 42,803	\$ 1,617,803	\$ (3,509,000)	\$ (697,338)	\$ (4,206,338)	\$ 11,776,000	\$ 4,270,246	\$ 16,046,246							

**NOTES:**

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements herein.  
(2) The City budgets to account for interest rate risk. Budget Rate 5.00%.  
(3) Estimated Interest Rates. Estimated Average Coupon of 2.33%.

## FINANCIAL INFORMATION

### INTRODUCTION

As required by generally accepted accounting principles (GAAP), all City funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial position and includes, at a minimum, quarterly reports to the City Commission. All City financial statements are audited annually by independent certified public accountants.

The City's General Purpose Financial Statements, which is an extract of the Comprehensive Annual Financial Report included herein.

### FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City.

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

	<u>For The Year Ended June 30</u>				
<u>Fund Type</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental Funds:</b>					
General	\$3,417,109	\$3,943,586	\$4,571,596	\$ 7,297,681	\$ 8,149,706
Education	2,464,097	2,294,168	2,280,957	2,430,157	2,407,291
Other Governmental	<u>651,919</u>	<u>841,952</u>	<u>1,131,321</u>	<u>1,419,259</u>	<u>1,248,317</u>
<b>Total</b>	<b><u>\$6,533,125</u></b>	<b><u>\$7,079,706</u></b>	<b><u>\$7,983,874</u></b>	<b><u>\$11,147,097</u></b>	<b><u>\$11,805,314</u></b>
<b>Proprietary Net Assets:</b>					
Electric	\$29,755,680	\$31,145,113	\$32,362,715	\$32,803,973	\$34,332,585
Water/Sewer	19,825,665	20,549,542	21,301,608	21,372,042	21,935,968
Nonmajor	<u>6,104,865</u>	<u>6,197,059</u>	<u>6,232,662</u>	<u>6,402,803</u>	<u>6,443,536</u>
<b>Total</b>	<b><u>\$55,686,210</u></b>	<b><u>\$57,891,714</u></b>	<b><u>\$59,896,985</u></b>	<b><u>\$60,578,818</u></b>	<b><u>\$62,712,089</u></b>

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Property Taxes	\$ 872,832	\$ 871,466	\$ 888,395	\$ 1,013,662	\$ 1,124,282
Other Local Taxes	3,578,459	3,743,726	3,650,232	3,766,816	4,086,521
Intergovernmental	2,024,501	1,098,615	1,149,038	884,369	2,329,666
Charges for Services	273,133	278,020	322,840	293,465	357,300
Fines and Forfeits	138,848	138,845	124,529	110,552	163,765
Interest	16,873	11,723	14,345	22,644	16,966
Miscellaneous	3,014	5,074	7,220	2,185,226	12,230
<b>Total Revenues</b>	<u>\$ 6,907,660</u>	<u>\$ 6,147,469</u>	<u>\$ 6,156,599</u>	<u>\$ 8,276,734</u>	<u>\$ 8,090,730</u>
<b>Operating Expenses:</b>					
General Government	\$ 700,389	\$ 738,232	\$ 2,964,011	\$ 919,135	\$ 994,327
Public Safety	2,608,439	2,518,813	2,883,436	2,503,133	2,718,590
Maintenance	395,066	446,354	407,635	380,582	339,449
Highways and Streets	725,003	849,198	725,691	776,634	757,011
Parks and Recreation	392,162	419,590	447,166	417,272	368,084
Library	394,168	408,771	409,940	382,948	384,575
Airport	1,256,550	471,571	505,495	309,907	1,741,073
Debt Service	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ 6,471,777</u>	<u>\$ 5,852,529</u>	<u>\$ 8,343,374</u>	<u>\$ 5,689,611</u>	<u>\$ 7,303,109</u>
Revenues Over (Under) Expenditures	\$ 435,883	\$ 294,940	\$ (2,186,775)	\$ 2,587,123	\$ 787,621
<b>Non-Operating Revenues (Expenses):</b>					
Transfers	\$ 173,703	\$ 219,637	\$ 336,669	\$ 93,520	\$ 54,712
Insurance Proceeds	13,023	8,400	28,213	45,442	9,692
Debt Proceeds	-	-	2,350,000	-	-
Proceeds from Sale of Capital Assets	19,185	3,500	99,903	-	-
<b>Total Non-Operating</b>	<u>\$ 205,911</u>	<u>\$ 231,537</u>	<u>\$ 2,814,785</u>	<u>\$ 138,962</u>	<u>\$ 64,404</u>
Net Change of Fund Balances	\$ 641,794	\$ 526,477	\$ 628,010	\$ 2,726,085	\$ 852,025
<b>Fund Balance beginning of year</b>	\$ 2,775,315	\$ 3,417,109	\$ 3,943,586	\$ 4,571,596	\$ 7,297,681
Prior Year Adjustments	-	-	-	-	-
<b>Retained Earnings - June 30</b>	<u><u>\$ 3,417,109</u></u>	<u><u>\$ 3,943,586</u></u>	<u><u>\$ 4,571,596</u></u>	<u><u>\$ 7,297,681</u></u>	<u><u>\$ 8,149,706</u></u>

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Charges for services	\$ 29,861,638	\$ 28,831,492	\$ 28,941,669	\$ 27,890,322	\$ 28,040,859
Consumer penalties	173,947	169,552	169,696	170,490	173,170
Rental income	208,448	206,917	209,099	237,443	266,416
Other operating revenues	66,175	78,390	105,796	102,194	109,218
<b>Total Revenues</b>	<u>\$ 30,310,208</u>	<u>\$ 29,286,351</u>	<u>\$ 29,426,260</u>	<u>\$ 28,400,449</u>	<u>\$ 28,589,663</u>
Purchased Power	\$ 23,224,185	\$ 22,142,514	\$ 22,022,403	\$ 21,214,773	\$ 21,063,338
<b>Operating Expenses:</b>					
Operations	905,167	912,825	1,196,461	1,147,497	1,144,505
Maintenance	1,855,653	1,893,679	1,826,220	2,034,068	1,381,539
Administration	1,208,464	1,371,656	1,457,932	1,438,603	1,402,048
<b>Total Operating Expenses before Depreciation</b>	<u>\$ 3,969,284</u>	<u>\$ 4,178,160</u>	<u>\$ 4,480,613</u>	<u>\$ 4,620,168</u>	<u>\$ 3,928,092</u>
Depreciation	943,575	984,098	1,053,554	1,122,591	1,200,162
<b>Total Operating Expenses</b>	<u>\$ 4,912,859</u>	<u>\$ 5,162,258</u>	<u>\$ 5,534,167</u>	<u>\$ 5,742,759</u>	<u>\$ 5,128,254</u>
<b>Total Expenses</b>	<u>\$ 28,137,044</u>	<u>\$ 27,304,772</u>	<u>\$ 27,556,570</u>	<u>\$ 26,957,532</u>	<u>\$ 26,191,592</u>
Operating Income	\$ 2,173,164	\$ 1,981,579	\$ 1,869,690	\$ 1,442,917	\$ 2,398,071
<b>Non-Operating Revenues (Expenses):</b>					
Interest Income	\$ 7,170	\$ 7,487	\$ 8,150	\$ 34,915	\$ 24,087
Unrealized Gain on Investment	-	-	-	45,972	62,402
Interest Expense	(103,399)	(100,428)	(108,210)	(333,309)	(394,795)
Pension Income	33,632	-	-	-	-
Amortization of debt expense	-	-	-	(155,602)	3,825
<b>Total Non-Operating Revenues (Expenses)</b>	<u>\$ (62,597)</u>	<u>\$ (92,941)</u>	<u>\$ (100,060)</u>	<u>\$ (408,024)</u>	<u>\$ (304,481)</u>
Income Before Contributions and Transfers	\$ 2,110,567	\$ 1,888,638	\$ 1,769,630	\$ 1,034,893	\$ 2,093,590
Capital Contributions from Governments	\$ -	\$ 14,006	\$ -	\$ -	\$ -
Transfers to Local Government - in lieu of tax	(493,361)	(513,211)	(552,028)	(557,082)	(564,978)
Net Income	<u>\$ 1,617,206</u>	<u>\$ 1,389,433</u>	<u>\$ 1,217,602</u>	<u>\$ 477,811</u>	<u>\$ 1,528,612</u>
<b>Retained Earnings - July 1</b>	<u>\$ 28,124,686</u>	<u>\$ 29,755,680</u>	<u>\$ 31,145,113</u>	<u>\$ 32,362,715</u>	<u>\$ 32,803,973</u>
Prior Year Adjustments	13,788	-	-	(36,553)	-
<b>Retained Earnings - June 30</b>	<u><b>\$ 29,755,680</b></u>	<u><b>\$ 31,145,113</b></u>	<u><b>\$ 32,362,715</b></u>	<u><b>\$ 32,803,973</b></u>	<u><b>\$ 34,332,585</b></u>

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Charges for services	\$ 6,009,328	\$ 6,123,566	\$ 6,464,050	\$ 6,576,057	\$ 7,085,100
Consumer penalties	35,721	35,336	40,375	42,742	45,689
Other operating revenues	16,870	14,410	22,308	32,550	87,861
<b>Total Revenues</b>	<u>\$ 6,061,919</u>	<u>\$ 6,173,312</u>	<u>\$ 6,526,733</u>	<u>\$ 6,651,349</u>	<u>\$ 7,218,650</u>
<b>Operating Expenses:</b>					
Operations	\$ 3,412,276	\$ 3,437,757	\$ 3,585,421	\$ 3,620,691	\$ 3,851,967
Maintenance	486,731	725,230	503,326	623,835	534,402
Administration	165,143	200,478	197,991	319,101	210,250
<b>Total Operating Expenses before Depreciation</b>	<u>\$ 4,064,150</u>	<u>\$ 4,363,465</u>	<u>\$ 4,286,738</u>	<u>\$ 4,563,627</u>	<u>\$ 4,596,619</u>
Depreciation	1,061,548	1,112,390	1,362,590	1,421,747	1,447,444
<b>Total Operating Expenses</b>	<u>\$ 5,125,698</u>	<u>\$ 5,475,855</u>	<u>\$ 5,649,328</u>	<u>\$ 5,985,374</u>	<u>\$ 6,044,063</u>
Operating Income	\$ 936,221	\$ 697,457	\$ 877,405	\$ 665,975	\$ 1,174,587
<b>Non-Operating Revenues (Expenses):</b>					
Interest Income	\$ 4,516	\$ 4,585	\$ 5,091	\$ 5,512	\$ 9,605
Interest Expense	(512,449)	(5,652)	(509,735)	(497,429)	(594,925)
Insurance Proceeds	-	-	-	-	13,306
Unrealized Gain on Investment	3,757	-	2,141	-	39,577
Bond Issuance costs	-	-	-	-	(113,063)
Amortization of debt expense	(51)	(52)	(52)	(52)	2,022
Miscellaneous	25,609	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>\$ (478,618)</u>	<u>\$ (1,119)</u>	<u>\$ (502,555)</u>	<u>\$ (491,969)</u>	<u>\$ (643,478)</u>
Income Before Contributions and Transfers	\$ 457,603	\$ 696,338	\$ 374,850	\$ 174,006	\$ 531,109
Transfers to Local Government - in lieu of tax	\$ (32,442)	\$ (32,442)	\$ (52,647)	\$ (70,767)	\$ (82,870)
Capital Contributions from Governments	415,087	59,981	429,863	-	115,687
Net Income	<u>\$ 840,248</u>	<u>\$ 723,877</u>	<u>\$ 752,066</u>	<u>\$ 103,239</u>	<u>\$ 563,926</u>
<b>Retained Earnings - July 1</b>	\$ 18,985,417	\$ 19,825,665	\$ 20,549,542	\$ 21,301,608	\$ 21,372,042
Prior Year Adjustments	-	-	-	(32,805)	-
<b>Retained Earnings - June 30</b>	<u><u>\$ 19,825,665</u></u>	<u><u>\$ 20,549,542</u></u>	<u><u>\$ 21,301,608</u></u>	<u><u>\$ 21,372,042</u></u>	<u><u>\$ 21,935,968</u></u>

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



## **BASIS OF ACCOUNTING AND PRESENTATION**

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

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

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

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

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

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

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

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

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;

- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

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

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

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

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

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

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

## *Assessment of Property*

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

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

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

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

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

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

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

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

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

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

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

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

## ***Certified Tax Rate***

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

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

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

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

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

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

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

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

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According to the Tax Aggregate Report of Tennessee and the City, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2019<sup>1</sup>.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utility Property	\$ 4,098,886	55%	\$ 9,390,346
Commercial/Industrial/Mineral	103,835,120	40%	259,636,400
Personal Tangible Property	32,476,322	30%	108,254,321
Residential, Farm and Open Space	<u>60,872,725</u>	25%	<u>243,490,900</u>
<b>Totals</b>	<b><u>\$201,283,053</u></b>		<b><u>\$620,771,967</u></b>

<sup>1</sup> The tax year coincides with the calendar year, therefore, tax year 2019 is actually fiscal year 2019-2020.  
Source: 2019 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2020 (tax year 2019) is \$201,283,053 compared to \$178,279,713 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$620,771,967 compared to \$587,629,308 for tax year 2018.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the City for tax years 2015 through 2019 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2019.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year<sup>2</sup></b>	<b>Assessed Valuation</b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>As of June 30, 2019 Amount</b>	<b>Pct</b>
2015	\$182,498,995	\$0.4843	\$ 867,200	\$843,277	97.2%	\$ 9,639	1.1%
2016	186,990,897	0.4843	883,838	855,234	96.8%	12,646	1.4%
2017	187,519,247	0.54	905,592	857,139	94.6%	28,901	3.2%
2018	178,279,713	0.64	1,012,623	951,765	94.0%	60,858	6.0%
2019	201,283,053	0.5766	1,137,004	<b>IN PROGRESS</b>			

<sup>2</sup> The tax year coincides with the calendar year, therefore, tax year 2019 is actually fiscal year 2019-2020.

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*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2019 (tax year 2018), the largest taxpayers in the City are as follows:

<u><b>Taxpayer</b></u>	<u><b>Business Type</b></u>	<u><b>Assessment</b></u>	<u><b>Taxes Levied</b></u>
1. IAC Dayton, LLC	Industrial	\$ 6,244,896	\$39,967
2. La-Z-Boy Manufacturing, Inc.	Industrial	13,518,946	86,522
3. Cymer	Industrial	2,488,969	15,930
4. Polyloom Corp Of America	Industrial	5,609,404	35,900
5. Robinson Mfg. Co., Inc.	Industrial	7,374,367	33,815
6. Rock Solid, LP	Commercial	5,301,480	33,931
7. Wal-Mart Real Estate	Retail	4,020,326	25,730
8. Lowes Home Centers, Inc	Retail	3,229,051	20,666
9. Suburban Manufacturing, Inc.	Industrial	3,089,758	19,774
10. Kayser-Roth Corporation	Industrial	<u>1,822,432</u>	<u>11,664</u>
<b>TOTAL</b>		<b><u>\$52,699,629</u></b>	<b><u>\$323,899</u></b>

*Source:* The City.

## **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 5-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 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 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after 5 years of service and members joining prior to July 1, 1979, were vested after 4 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 City 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 City Council.

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 attached herein.

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## **UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

For more information, see the Notes to the General Purpose Financial Statements located herein.

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## **APPENDIX C**

# **GENERAL PURPOSE FINANCIAL STATEMENTS OF CITY OF DAYTON, TENNESSEE FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Dayton for the fiscal year ended June 30, 2019 which is available upon request from the City.



**CITY OF DAYTON, TENNESSEE**

**FINANCIAL REPORT**

**JUNE 30, 2019**

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**Report of Independent Certified Public Accountants**  
**on the Financial Statements**

NEAL, SCOUTEN & McCONNELL, P.C.  
Certified Public Accountants

To the City Council  
City of Dayton  
Dayton, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each of the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dayton, Tennessee, as of and for the year ended June 30, 2019, 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.

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 of the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dayton, Tennessee, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Department of Education - General Purpose 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 on pages A-1 – A-8 and other required supplemental information on pages 82-90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dayton, Tennessee's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the budgetary comparison schedules for the nonmajor special revenue funds, the discretely presented component unit financial statements, the schedules of operating expenses for individual funds, and the financial schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the budgetary comparison schedules for the nonmajor special revenue funds, the discretely presented component unit financial statements, the schedules of operating expenses for individual funds, the financial schedules on pages 113-121, and the schedule of expenditures of federal and state awards 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The financial schedules on pages 122-126 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2020 on our consideration of the City of Dayton, 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 Dayton, Tennessee's internal control over financial reporting and compliance.

*Neal, Sconten & McConnell, P.C.*

Chattanooga, Tennessee  
April 16, 2020

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

As management of the City of Dayton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Dayton for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with information in the basic financial statements.

**Financial Highlights**

- The City of Dayton's assets exceeded its liabilities by \$24,176,177 for governmental activities at June 30, 2019, (net position). Of this amount, \$10,947,279 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Dayton's assets exceeded its liabilities by \$62,712,089 for business-type activities at June 30, 2019.
- Net position for governmental activities increased by \$3,177,273. Net position for business-type activities increased \$2,133,271. The City's changes in net position are detailed in the chart on A-5 of this report. Total revenues for governmental activities increased approximately \$2,186,212 in 2019, primarily due to increases in intergovernmental revenues within the basic education program.
- At June 30, 2019, the City of Dayton's governmental funds reported combined ending fund balances of \$11,805,314 with 63% available for spending at the City's discretion (unassigned).
- At the end of the current year, unassigned fund balance for the General Fund was \$7,484,082.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction of the City of Dayton's basic financial statements. The City'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 supplemental 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's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Dayton is improving or deteriorating.



**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 Dayton 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 Dayton include general government, public safety, highways and streets, education, parks and recreation, airport, and library. The business-type activities of the City include the Industrial Park, Water and Sewer, and Electric Services.

The government-wide financial statements can be found on pages 4-5 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 Dayton, 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 can be divided into two categories: governmental funds and proprietary funds. Also presented is the Dayton City School Internal School Funds which is a fiduciary fund.

**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 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 governmental funds and governmental activities.

The City of Dayton maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Department of Education-General Purpose Fund, and the Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report beginning on page 91.

The City Council adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and the Department of Education-General Purpose Fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found beginning on page 6 of this report.

**Proprietary Funds.** The City maintains a proprietary fund for its five enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Electric and Water and Sewer funds, its major funds, and the Sanitation, Industrial Park and Skill Center funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 13-16 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds do not present their activities within the report. The school internal school fund balance sheet may be found on page 17 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 18-81 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and required major fund budgeting data. Required supplemental information can be found on pages 82-90 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules, as well as component unit information, can be found on pages 91-112 of this report.

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dayton, assets exceeded liabilities by \$86,888,266 at June 30, 2019. In excess of \$24.9 million of the City's net position are unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. The City has accumulated funds for capital project needs, as approved by the City Council, and debt service. Investments in capital assets (e.g. land, buildings, infrastructure, machinery and equipment) is less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City'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. Restricted net position is subject to external restriction on how they may be used.

**CITY OF DAYTON**  
**NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets and deferred outflows	\$16,934,843	\$15,062,850	\$ 29,005,386	\$29,115,275	\$ 45,940,229	\$ 44,178,125
Capital assets	14,729,488	12,939,369	73,750,149	66,352,768	88,479,637	79,292,137
Total assets and deferred outflows	<u>\$31,664,331</u>	<u>\$27,046,897</u>	<u>\$102,755,535</u>	<u>\$84,590,738</u>	<u>\$ 134,419,866</u>	<u>\$ 123,470,262</u>
Long-term liabilities and deferred inflows	\$ 5,785,779	\$ 5,578,264	\$ 33,411,828	\$28,942,404	\$ 39,197,607	\$ 34,520,668
Other liabilities	1,702,375	1,425,051	6,631,618	5,946,821	8,333,993	7,371,872
Total liabilities	<u>\$ 7,488,154</u>	<u>\$ 7,003,315</u>	<u>\$ 40,043,446</u>	<u>\$34,889,225</u>	<u>\$ 47,531,600</u>	<u>\$ 41,892,540</u>
Net investment in capital assets	\$11,843,812	\$ 9,828,378	\$ 47,925,696	\$46,667,595	\$ 59,769,508	\$ 56,495,973
Restricted	1,385,086	705,133	818,634	438,724	2,203,720	1,143,857
Unrestricted	10,947,279	10,435,393	13,967,759	13,472,499	24,915,038	23,937,892
Total net position	<u>\$24,176,177</u>	<u>\$20,998,904</u>	<u>\$ 62,712,089</u>	<u>\$60,578,818</u>	<u>\$ 86,888,266</u>	<u>\$ 81,577,722</u>

**Governmental activities.** Governmental activities increased the City's net position by \$1,582,912 in 2018 and \$3,177,273 in 2019. Revenue and expense increases relate to additional funding from pass-through and federal grants for the airport and education.

**Business-type activities.** Business-type activities increased the City's net position by \$751,871 in 2018 and \$2,133,271 for 2019, with the Electric Fund and Water and Sewer Fund generating the majority of this profit in 2019.

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**CITY OF DAYTON**  
**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 637,412	\$ 534,380	\$36,560,120	\$35,805,282	\$37,197,532	\$36,339,662
Operating grants and contributions	1,572,841	1,595,548	-	-	1,572,841	1,595,548
Capital grants and contributions	1,690,064	423,914	115,687	-	1,805,751	423,914
General revenues:						
Property taxes	1,591,360	1,453,557	-	-	1,591,360	1,453,557
Other local taxes	5,149,685	4,776,850	-	-	5,149,685	4,776,850
Intergovernmental	5,751,959	5,351,061	-	-	5,751,959	5,351,061
Investment income	29,553	28,530	151,140	63,162	180,693	91,692
Other	719,334	792,156	(774,116)	(469,282)	(54,782)	322,874
Total revenues	<u>17,142,208</u>	<u>14,955,996</u>	<u>36,052,831</u>	<u>35,399,162</u>	<u>53,195,039</u>	<u>50,355,158</u>
<b>Expenses:</b>						
General government	991,078	847,809	-	-	991,078	847,809
Public safety:						
Police	1,732,921	1,662,175	-	-	1,732,921	1,662,175
Fire	997,863	935,847	-	-	997,863	935,847
Maintenance	357,766	373,568	-	-	357,766	373,568
Highways and streets	1,160,894	985,185	-	-	1,160,894	985,185
Parks and recreation	304,414	437,532	-	-	304,414	437,532
Library	418,525	420,185	-	-	418,525	420,185
Airport	426,945	358,161	-	-	426,945	358,161
Education:						
Instructional	4,786,022	4,716,589	-	-	4,786,022	4,716,589
Support services	1,873,536	1,805,107	-	-	1,873,536	1,805,107
Noninstructional	570,210	513,207	-	-	570,210	513,207
Unallocated depreciation	214,057	203,153	-	-	214,057	203,153
Interest on long-term debt	130,704	114,566	-	-	130,704	114,566
Electric	-	-	26,582,562	27,446,443	26,582,562	27,446,443
Water	-	-	4,336,686	4,457,037	4,336,686	4,457,037
Sewer	-	-	2,300,280	2,025,818	2,300,280	2,025,818
Industrial Park - economic development	-	-	86,758	133,224	86,758	133,224
Skill Center - community development	-	-	169,988	162,352	169,988	162,352
Sanitation	-	-	443,286	422,417	443,286	422,417
Total expenses	<u>13,964,935</u>	<u>13,373,084</u>	<u>33,919,560</u>	<u>34,647,291</u>	<u>47,884,495</u>	<u>48,020,375</u>
Change in net position	3,177,273	1,582,912	2,133,271	751,871	5,310,544	2,334,783
Net position, beginning	<u>20,998,904</u>	<u>19,415,992</u>	<u>60,578,818</u>	<u>59,826,947</u>	<u>81,577,722</u>	<u>79,242,939</u>
Net position, ending	<u>\$24,176,177</u>	<u>\$20,998,904</u>	<u>\$62,712,089</u>	<u>\$60,578,818</u>	<u>\$86,888,266</u>	<u>\$81,577,722</u>

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Financial Analysis of the City's Funds**

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

**Governmental funds.** The focus of the City of Dayton governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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 year for future unforeseen emergencies. At June 30, 2019 and 2018, the City of Dayton's governmental funds reported combined ending fund balances of \$11,805,314 and \$11,147,097, respectively. Approximately 63% of the 2019 total (\$7,484,082) constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$7,484,082. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures.

The fund balance of the City's General Fund increased by \$852,025 during the current year. The key factor is increased revenue from tax revenue increases.

**Proprietary funds.** The City of Dayton's proprietary funds provide the same type of information as the government-wide financial statements, but with more detail.

Net position at the end of the year was \$34,332,585 for the Electric Fund, \$21,935,968 for the Water and Sewer Fund, and \$6,443,536 for the nonmajor funds.

**General Fund Budgetary Highlights**

There were only minor differences between the original budget and the final amended budgeted expenditures. The City's General Fund budget was a break-even budget while the fund generated an increase in net position of \$852,025.

**Capital Assets and Debt Administration**

**Capital assets.** The City of Dayton investment in capital assets for its governmental and business-type fund activities as of June 30, 2019, was \$88,479,637 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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

- Continued upgrades for Electric 5-year plan
- Continued construction of new Electrical substation
- Continued Water infrastructure and project development for water line extension
- Purchase of 2 Police cars.
- Begin the engineering and design phase for our new Sewer Plant.

**CAPITAL ASSETS**  
**(NET OF DEPRECIATION)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Buildings and improvements	\$ 6,850,865	\$ 6,803,298	\$ 2,312,992	\$ 2,441,725	\$ 9,163,857	\$ 9,245,023
Plant and equipment	3,118,559	3,315,752	58,512,874	58,829,398	61,631,433	62,145,150
Infrastructure	7,788	10,905	-	-	7,788	10,905
Roads and land improvements	36,740	40,164	295,496	310,500	332,236	350,664
Land	1,027,160	832,958	828,469	828,469	1,855,629	1,661,427
Construction in progress	3,688,376	1,936,292	11,800,318	3,942,676	15,488,694	5,878,968
Capital assets, net of depreciation	<u>\$14,729,488</u>	<u>\$12,939,369</u>	<u>\$73,750,149</u>	<u>\$66,352,768</u>	<u>\$88,479,637</u>	<u>\$79,292,137</u>

Additional information on the City of Dayton's capital assets can be found in Note 2 on pages 31-34 of this report.

**Long-term debt.** The City's governmental activities have three capital outlay note with \$2,833,220 outstanding at June 30, 2019. \$286,754 is due within one year.

Business-type activities have outstanding bonds and notes of \$32,741,854 with principal of \$1,026,740 due within one year.

The combined long-term debt for primary government is a total of \$35,575,074. Additional information concerning long-term debt can be found on pages 35-39 of this report.

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

The City continues to operate attempting to keep expenses at a minimum as much as feasibly possible. An anticipated increase in expenses is primarily due to the increase in employee benefits and liability insurance costs. The property tax rate for 2019 was set at \$0.5766 per \$100 assessed value, a decrease of \$0.634 from the 2018 rate.

**City of Dayton, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2019**

Revenues are expected to remain similar to the previous budget year. Management has been conservative in estimation of other revenues for 2019-2020 with the revenue generators having been in existence long enough to be able to project next year's revenue. Budgeted expenditures were to increase primarily due to insurance costs and employee benefits.

With the announcement of the arrival of a large manufacturing company, the City expects to have growth within our industrial base in the coming year.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Dayton 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 L. Michelle Horton, City Recorder, P.O. Box 226, Dayton, Tennessee 37321.

**BASIC**  
**FINANCIAL STATEMENTS**



**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Governmental	Proprietary
	Activities	Activities		Utilities Grant Program	Industrial Development Board
ASSETS AND DEFERRED OUTFLOWS					
ASSETS					
Cash	\$ 7,459,535	\$ 11,386,943	\$ 18,846,478	\$ 10,799	\$ 1,623,501
Restricted cash	-	2,085,391	2,085,391	-	733,229
Restricted investments	-	6,319,545	6,319,545	-	-
Certificates of deposit	1,900,000	2,250,000	4,150,000	-	-
Receivables:					
Property taxes, net	1,605,952	-	1,605,952	-	-
Accounts, net	87,845	2,788,825	2,876,670	-	164,900
Other governments	1,140,374	-	1,140,374	-	-
Component unit	2,106,447	697,111	2,803,558	-	-
Primary government	-	-	-	8,386	-
Interest	4,693	5,880	10,573	-	-
Internal balances	(22,551)	22,551	-	-	-
Prepaid items	436,429	112,812	549,241	-	-
Inventories	22,054	1,888,759	1,910,813	-	-
TVA loans receivable	-	113,845	113,845	-	-
Restricted receivables	-	16,148	16,148	-	-
Capital assets:					
Depreciable, net	10,013,952	61,121,362	71,135,314	-	3,808,953
Nondepreciable	4,715,536	12,628,787	17,344,323	-	26,542,404
Net investment in capital lease	-	102,417	102,417	-	-
Net pension asset	1,151,983	818,634	1,970,617	-	-
Restricted stabilization reserve	8,976	-	8,976	-	-
Total assets	30,631,225	102,359,010	132,990,235	19,185	32,872,987
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	946,205	373,532	1,319,737	-	-
Deferred outflows related to OPEB	86,901	22,993	109,894	-	-
Total assets and deferred outflows	\$ 31,664,331	\$ 102,755,535	\$ 134,419,866	\$ 19,185	\$ 32,872,987

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Governmental	Proprietary
	Activities	Activities		Utilities Grant Program	Industrial Development Board
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 334,023	\$ 621,611	\$ 955,634	\$ -	\$ 1,500,000
Accounts payable - TVA	-	3,573,033	3,573,033	-	-
Accrued salaries and benefits	596,285	224,623	820,908	-	-
Accrued interest	52,457	126,874	179,331	-	-
Retainage payable	-	203,612	203,612	-	-
Due to primary government	-	-	-	-	2,803,558
Due to component unit	-	8,386	8,386	-	-
Unearned revenues	719,610	1,291,152	2,010,762	-	-
Customers' deposits	-	468,482	468,482	-	-
TVA home program advances	-	113,845	113,845	-	-
Long-term debt:					
Due within one year	286,754	1,026,740	1,313,494	-	123,042
Due in more than one year	2,546,466	31,715,114	34,261,580	-	159,138
OPEB liability	755,728	223,634	979,362	-	-
Total liabilities	<u>5,291,323</u>	<u>39,597,106</u>	<u>44,888,429</u>	<u>-</u>	<u>4,585,738</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to property tax	1,140,998	-	1,140,998	-	-
Deferred inflows related to pensions	888,145	438,093	1,326,238	-	-
Deferred inflows related to OPEB	167,688	8,247	175,935	-	-
	<u>2,196,831</u>	<u>446,340</u>	<u>2,643,171</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	11,843,812	47,925,696	59,769,508	-	25,765,623
Restricted for:					
Pensions	1,151,983	818,634	1,970,617	-	-
Drug	45,830	-	45,830	-	-
Education	172,591	-	172,591	-	-
Highways and streets	12,852	-	12,852	-	-
e-Citations	1,830	-	1,830	-	-
Utilities Grant Program	-	-	-	19,185	-
Construction	-	-	-	-	733,229
Unrestricted	<u>10,947,279</u>	<u>13,967,759</u>	<u>24,915,038</u>	<u>-</u>	<u>1,788,397</u>
Total net position	<u>24,176,177</u>	<u>62,712,089</u>	<u>86,888,266</u>	<u>19,185</u>	<u>28,287,249</u>
Total liabilities, deferred inflows and net position	\$ 31,664,331	\$ 102,755,535	\$ 134,419,866	\$ 19,185	\$ 32,872,987

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2019**

Functions/Programs	Program Revenues					Net Revenues (Expenses) and Changes in Net Position					Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Governmental Utilities	Grant Program	Industrial Development Board	Governmental	Utilities	Proprietary
<b>Primary Government:</b>													
<b>Governmental activities:</b>													
General government	\$ 991,078	\$ 98,879	\$ -	\$ -	\$ (892,199)	\$ -	\$ (892,199)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety-police	1,732,921	176,990	95,921	-	(1,460,010)	-	(1,460,010)	-	-	-	-	-	-
Public safety-fire	997,863	87,921	10,000	-	(899,942)	-	(899,942)	-	-	-	-	-	-
Maintenance	357,766	-	-	-	(357,766)	-	(357,766)	-	-	-	-	-	-
Highways and streets	1,160,894	10,659	266,817	-	(883,418)	-	(883,418)	-	-	-	-	-	-
Parks and recreation	304,414	-	-	240,000	(64,414)	-	(64,414)	-	-	-	-	-	-
Library	418,525	21,625	15,000	-	(381,900)	-	(381,900)	-	-	-	-	-	-
Airport	426,945	148,875	14,300	1,450,064	1,186,294	-	1,186,294	-	-	-	-	-	-
Education:													
Instructional	4,786,022	50,150	539,177	-	(4,196,695)	-	(4,196,695)	-	-	-	-	-	-
Support services	1,873,536	-	108,726	-	(1,764,810)	-	(1,764,810)	-	-	-	-	-	-
Noninstructional	570,210	42,313	522,900	-	(4,997)	-	(4,997)	-	-	-	-	-	-
Unallocated depreciation expense	214,057	-	-	-	(214,057)	-	(214,057)	-	-	-	-	-	-
Interest on long-term debt	130,704	-	-	-	(130,704)	-	(130,704)	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>13,964,935</b>	<b>637,412</b>	<b>1,572,841</b>	<b>1,690,064</b>	<b>(10,064,618)</b>	<b>-</b>	<b>(10,064,618)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>													
Electric	26,582,562	28,589,663	-	-	-	2,007,101	2,007,101	-	-	-	-	-	-
Water	4,336,686	4,511,275	-	115,687	-	290,276	290,276	-	-	-	-	-	-
Sewer	2,300,280	2,707,375	-	-	-	407,095	407,095	-	-	-	-	-	-
Industrial Park-economic development	86,758	126,907	-	-	-	40,149	40,149	-	-	-	-	-	-
Skill Center-community development	169,988	174,923	-	-	-	4,935	4,935	-	-	-	-	-	-
Sanitation	443,286	449,977	-	-	-	6,691	6,691	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>33,919,560</b>	<b>36,560,120</b>	<b>-</b>	<b>115,687</b>	<b>-</b>	<b>2,756,247</b>	<b>2,756,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 47,884,495</b>	<b>\$ 37,197,532</b>	<b>\$ 1,572,841</b>	<b>\$ 1,805,751</b>	<b>(10,064,618)</b>	<b>2,756,247</b>	<b>(7,308,371)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component units:</b>													
Utilities Grant Program	\$ 55,250	\$ 56,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,314	\$ -	\$ 10,696,025	\$ -	\$ -	\$ -
Industrial Development Board	148,677	126,400	-	-	-	-	-	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 203,927</b>	<b>\$ 182,964</b>	<b>\$ -</b>	<b>\$ 10,718,302</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,314</b>	<b>\$ -</b>	<b>\$ 10,696,025</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General revenues:</b>													
Property taxes					1,591,360	-	1,591,360	-	-	-	-	-	-
Local sales tax					4,090,030	-	4,090,030	-	-	-	-	-	-
Local beer tax					407,223	-	407,223	-	-	-	-	-	-
Other beer tax					45,932	-	45,932	-	-	-	-	-	-
Other local taxes					606,500	-	606,500	-	-	-	-	-	-
Basic education program					4,838,181	-	4,838,181	-	-	-	-	-	-
State sales tax					636,271	-	636,271	-	-	-	-	-	-
Intergovernmental revenue not restricted to specific programs					277,507	-	277,507	-	-	-	-	-	-
Miscellaneous					38,874	-	38,874	-	-	-	-	-	-
Loss on disposal of capital assets					(1,200)	(33,680)	(34,880)	-	-	-	-	-	-
Loss on note receivable					-	(113,063)	(113,063)	-	-	-	-	-	(46,667)
Bond issuance costs					33,812	20,475	54,287	-	-	-	-	-	-
Insurance proceeds					29,553	49,161	78,714	-	-	-	-	-	3,126
Interest income					-	101,979	101,979	-	-	-	-	-	-
Unrealized gain on investments					647,848	(647,848)	-	-	-	-	-	-	-
Transfers-interfund payments in lieu of taxes					13,241,891	(622,976)	12,618,915	-	-	-	-	-	(43,541)
Total general revenues and transfers					3,177,273	2,133,271	5,310,544	-	-	-	1,314	-	10,652,484
Change in net position					20,998,904	60,578,818	81,577,722	-	-	-	17,871	-	17,634,765
<b>Net position, beginning of year</b>					\$ 24,176,177	\$ 62,712,089	\$ 86,888,266	\$ -	\$ -	\$ -	\$ 19,185	\$ -	\$ 28,287,249
<b>Net position, end of year</b>													

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

**CITY OF DAYTON, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	General	Department of Education General Purpose	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 5,148,870	\$ 931,478	\$ 1,379,187	\$ 7,459,535
Certificates of deposit	300,000	1,600,000	-	1,900,000
Receivables:				
Property taxes, net	1,193,342	412,610	-	1,605,952
Accounts, net	87,584	261	-	87,845
Other governments	500,120	273,203	367,051	1,140,374
Component unit	2,106,447	-	-	2,106,447
Interest	625	4,068	-	4,693
Interfund	25,122	105,461	5,055	135,638
Prepaid items	436,429	-	-	436,429
Inventories	13,698	-	8,356	22,054
Restricted stabilization reserve	-	8,976	-	8,976
Total assets	<u>\$ 9,812,237</u>	<u>\$ 3,336,057</u>	<u>\$ 1,759,649</u>	<u>\$ 14,907,943</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 254,302	\$ 59,683	\$ 20,038	\$ 334,023
Accrued salaries and benefits	159,667	408,818	27,800	596,285
Interfund payables	40,226	55	117,908	158,189
Unearned revenues	67,338	460,210	345,586	873,134
Total liabilities	<u>521,533</u>	<u>928,766</u>	<u>511,332</u>	<u>1,961,631</u>
<b>DEFERRED INFLOWS</b>				
Deferred inflows related to property tax	<u>1,140,998</u>	<u>-</u>	<u>-</u>	<u>1,140,998</u>
<b>FUND BALANCES</b>				
Nonspendable	450,127	-	8,356	458,483
Restricted	1,830	12,345	218,928	233,103
Committed	213,667	76,550	-	290,217
Assigned	-	2,318,396	1,021,033	3,339,429
Unassigned	<u>7,484,082</u>	<u>-</u>	<u>-</u>	<u>7,484,082</u>
Total fund balances	<u>8,149,706</u>	<u>2,407,291</u>	<u>1,248,317</u>	<u>11,805,314</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 9,812,237</u>	<u>\$ 3,336,057</u>	<u>\$ 1,759,649</u>	<u>\$ 14,907,943</u>

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

**CITY OF DAYTON, TENNESSEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2019**

Total fund balances		\$ 11,805,314
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Amounts for governmental activities in the statement of net position are different because:

Capital assets and related accumulated depreciation are not financial resources or uses and not reported in the funds.

Capital assets-cost	\$ 29,974,453	
Accumulated depreciation	<u>(15,244,965)</u>	14,729,488

Property tax revenues from previous levies that have yet to be collected are not available to pay for current period expenditures and, therefore, not recognized in the funds.		138,530
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Certain intergovernmental revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		14,994
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Certain liabilities are not considered a use of current financial resources in the funds.

Notes payable	(2,833,220)	
Accrued interest	<u>(52,457)</u>	(2,885,677)

Pension and OPEB activity not considered a use of current financial resources in the funds.

Net pension asset	1,151,983	
OPEB liability	(755,728)	
Deferred inflows related to pensions	(888,145)	
Deferred outflows related to pensions	946,205	
Deferred inflows related to OPEB	(167,688)	
Deferred outflows related to OPEB	<u>86,901</u>	<u>373,528</u>

Net position of governmental activities		<u>\$ 24,176,177</u>
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The Notes to Financial Statements are an integral part of this statement.

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

	General	Department of Education General Purpose	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,124,282	\$ 450,362	\$ -	\$ 1,574,644
Other local taxes	4,086,521	763,761	-	4,850,282
Intergovernmental	2,329,666	5,108,022	1,866,950	9,304,638
Charges for services	357,300	50,150	52,972	460,422
Fines and forfeits	163,765	-	13,225	176,990
Penalties and interest	16,966	11,384	1,203	29,553
Miscellaneous	12,230	9,562	-	21,792
Total revenues	8,090,730	6,393,241	1,934,350	16,418,321
<b>EXPENDITURES</b>				
Current:				
General government	994,327	-	-	994,327
Public safety-police	1,785,028	-	20,740	1,805,768
Public safety-fire	933,562	-	-	933,562
Maintenance	339,449	-	-	339,449
Highways and streets	757,011	-	369,284	1,126,295
Parks and recreation	368,084	-	-	368,084
Library	384,575	-	-	384,575
Airport	1,741,073	-	-	1,741,073
Education:				
Instructional:				
Regular instruction	-	4,035,982	302,195	4,338,177
Special education	-	396,398	141,187	537,585
Early childhood education	-	124,255	-	124,255
Support services:				
Student support	-	265,158	108,726	373,884
Instructional staff support	-	547,495	-	547,495
Administration	-	578,938	-	578,938
Plant operation and maintenance	-	467,902	-	467,902
Noninstructional food services	-	349	564,773	565,122
Debt service:				
Principal	-	-	277,771	277,771
Interest	-	-	122,068	122,068
Capital outlay	-	102,413	713,021	815,434
Total expenditures	7,303,109	6,518,890	2,619,765	16,441,764
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	787,621	(125,649)	(685,415)	(23,443)
<b>OTHER FINANCING SOURCES</b>				
Transfers	54,712	78,663	514,473	647,848
Insurance proceeds	9,692	24,120	-	33,812
Total other financing sources	64,404	102,783	514,473	681,660
<b>NET CHANGE IN FUND BALANCES</b>	852,025	(22,866)	(170,942)	658,217
<b>FUND BALANCES, beginning of year</b>	7,297,681	2,430,157	1,419,259	11,147,097
<b>FUND BALANCES, end of year</b>	\$ 8,149,706	\$ 2,407,291	\$ 1,248,317	\$ 11,805,314

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

**CITY OF DAYTON, 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, 2019**

Net change in fund balances		\$ 658,217
Amounts for governmental activities included in the statement of activities are different because:		
Property taxes are recognized as revenue in the period for which they are levied in the statement of activities while funds recognize revenue when collected and available.		
Current year levy	\$ 1,591,360	
Collected fund revenue	<u>(1,574,644)</u>	16,716
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State beer tax-full accrual	3,329	
State income tax-full accrual	30,475	
Collected fund revenue	<u>(31,788)</u>	2,016
Funds report capital outlays as expenditures while asset cost is capitalized and allocated over the estimated useful lives as depreciation expense in the statement of activities.		
Capital asset expenditures in the current period	2,652,033	
Net book basis of assets retired	(1,200)	
Current year depreciation	<u>(860,714)</u>	1,790,119
Funds report proceeds from the issuance of long-term debt as financing sources and the related liabilities as expenditures when paid, but the proceeds and payments are recorded through a liabilities account in the statement of net assets.		
Long-term debt payments	277,771	
Accrued interest	<u>8,636</u>	286,407
Negative pension expense recognized in governmental activities		35,218
OPEB expense recognized in governmental activities		(92,865)
Retirement expense in funds reported as deferred outflows in governmental activities		447,415
OPEB expense in funds reported as deferred outflows		25,305
OPEB revenue in governmental activities not in funds		6,831
Pension expense in governmental activities not in funds		<u>1,894</u>
Change in net position of governmental activities		<u>\$ 3,177,273</u>

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>	\$ 1,382,744	\$ 1,382,744	\$ 1,124,282	\$ (258,462)
<b>OTHER LOCAL TAXES</b>				
Business tax and licenses	220,050	220,050	252,696	32,646
Local beer tax	400,000	400,000	407,223	7,223
Mixed drink tax	28,000	28,000	45,932	17,932
Wine tax	25,000	25,000	26,552	1,552
Liquor store tax	-	56,000	64,185	8,185
Local sales tax	2,825,675	2,825,675	3,026,866	201,191
In lieu of taxes	140,750	140,750	150,747	9,997
Cable TV franchise fees	91,000	91,000	112,320	21,320
Total other local taxes	3,730,475	3,786,475	4,086,521	300,046
<b>INTERGOVERNMENTAL REVENUES</b>				
State excise tax	32,000	32,000	19,208	(12,792)
State beer tax	3,000	3,000	3,329	329
State sales tax	600,000	600,000	636,271	36,271
State income tax	-	-	28,459	28,459
Rhea County library	15,000	15,000	15,000	-
Police grants	-	9,277	14,700	5,423
Fire grants	-	10,000	10,000	-
Airport grants	2,325,687	2,325,687	1,464,364	(861,323)
CDBG HOME grant	250,000	250,000	-	(250,000)
Greenway	348,477	348,477	-	(348,477)
Tennis courts	80,000	80,000	40,000	(40,000)
Streets and transportation	14,000	14,000	15,614	1,614
Police contracts	80,384	80,384	81,221	837
Sex offender registry	1,800	1,800	1,500	(300)
Total intergovernmental revenues	3,750,348	3,769,625	2,329,666	(1,439,959)
<b>CHARGES FOR SERVICES</b>				
Fire protection	88,000	88,000	87,921	(79)
Beer user fee	5,000	5,000	5,036	36
Rent	2,500	2,500	2,501	1
Airport	137,750	137,750	148,875	11,125
Mixed drink fee	1,000	1,000	270	(730)
Library	-	-	21,625	21,625
Building permits	20,000	72,053	90,967	18,914
Farmers market permits	100	100	105	5
Total charges for services	254,350	306,403	357,300	50,897
<b>FINES AND FORFEITS</b>				
Court fines and costs	90,000	90,000	163,765	73,765

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

(continued)



**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2019**  
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>PENALTIES AND INTEREST</b>	\$ 12,500	\$ 12,500	\$ 16,966	\$ 4,466
<b>MISCELLANEOUS</b>	4,500	14,869	12,230	(2,639)
Total revenues	<u>9,224,917</u>	<u>9,362,616</u>	<u>8,090,730</u>	<u>(1,271,886)</u>
<b>EXPENDITURES</b>				
Administration	2,804,023	2,772,838	994,327	1,778,511
Police Department	1,689,173	1,840,696	1,785,028	55,668
Fire Department	890,779	966,456	933,562	32,894
Maintenance Department	422,955	422,955	339,449	83,506
Street Department	768,760	768,760	757,011	11,749
Parks and Recreation Department	417,595	420,758	368,084	52,674
Library	384,003	384,003	384,575	(572)
Airport	2,069,504	2,112,406	1,741,073	371,333
Total expenditures	<u>9,446,792</u>	<u>9,688,872</u>	<u>7,303,109</u>	<u>2,385,763</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(221,875)</u>	<u>(326,256)</u>	<u>787,621</u>	<u>1,113,877</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	9,692	9,692
Proceeds from sale of assets	1,000	1,000	-	(1,000)
Transfers:				
In lieu of taxes - Proprietary Funds	860,000	860,000	647,848	(212,152)
Department of Education-				
General Purpose Fund	(318,675)	(318,675)	(315,675)	3,000
Debt service	(320,450)	(278,517)	(277,461)	1,056
Total other financing sources	<u>221,875</u>	<u>263,808</u>	<u>64,404</u>	<u>(199,404)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (62,448)</u>	852,025	<u>\$ 914,473</u>
<b>FUND BALANCE, beginning of year</b>			<u>7,297,681</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 8,149,706</u>	

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE BUDGET AND ACTUAL -**  
**DEPARTMENT OF EDUCATION - GENERAL PURPOSE FUND**  
**Year Ended June 30, 2019**

	Budget			Variance
	Original	Final	Actual	With Final Budget
<b>REVENUES</b>				
Intergovernmental:				
Basic Education Program	\$ 4,793,000	\$ 4,838,170	\$ 4,838,181	\$ 11
Career Ladder Program	8,300	8,300	10,492	2,192
Coordinated School Health	80,000	80,000	80,000	-
Early Childhood Development	100,310	106,968	106,968	-
Other	4,200	47,100	72,381	25,281
Property taxes	422,000	428,000	450,362	22,362
Local sales tax	680,000	686,000	763,761	77,761
Tuition	43,000	43,000	46,800	3,800
Interest	3,000	7,000	11,384	4,384
Miscellaneous	-	-	9,562	9,562
Rent	4,500	4,500	3,350	(1,150)
Total revenues	<u>6,138,310</u>	<u>6,249,038</u>	<u>6,393,241</u>	<u>144,203</u>
<b>EXPENDITURES</b>				
Instructional:				
Regular instruction program	4,047,741	4,088,741	4,035,982	52,759
Special education program	387,951	394,728	396,398	(1,670)
Early childhood education	117,599	124,257	124,255	2
Support Services:				
Health services	156,815	155,065	151,107	3,958
Other student support	118,426	118,426	114,051	4,375
Regular instruction	122,013	120,768	114,715	6,053
Alternative instruction	71,463	72,513	72,505	8
Special education	218,764	211,987	360,275	(148,288)
Board of Education	50,700	50,700	45,631	5,069
Office of the superintendent	123,576	119,576	109,561	10,015
Office of the principal	242,941	246,941	244,573	2,368
Fiscal services	75,415	75,415	73,098	2,317
Human resources	13,915	9,373	6,713	2,660
Attendance	46,211	46,911	46,783	128
Operation of plant	361,343	368,343	358,595	9,748
Education technology	200,234	210,234	52,579	157,655
Maintenance of plant	77,360	115,075	109,307	5,768
Food services maintenance	5,500	5,500	349	5,151
Capital outlay	30,000	148,162	102,413	45,749
Total expenditures	<u>6,467,967</u>	<u>6,682,715</u>	<u>6,518,890</u>	<u>163,825</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(329,657)</u>	<u>(433,677)</u>	<u>(125,649)</u>	<u>308,028</u>
<b>OTHER FINANCING SOURCES</b>				
Insurance proceeds	-	24,120	24,120	-
Transfers in	318,115	556,704	315,675	(241,029)
Transfers out	-	(238,589)	(237,012)	1,577
Net change in fund balance	<u>\$ (11,542)</u>	<u>\$ (91,442)</u>	<u>(22,866)</u>	<u>\$ 68,576</u>
<b>FUND BALANCE, beginning of year</b>			<u>2,430,157</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 2,407,291</u>	

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

**June 30, 2019**

	Business-Type Activities - Enterprise Funds			
	Electric	Water and Sewer	Nonmajor Proprietary Funds	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>Current assets</b>				
Cash	\$ 6,974,856	\$ 2,741,564	\$ 1,670,523	\$ 11,386,943
Certificates of deposit	1,000,000	1,000,000	250,000	2,250,000
Receivables:				
Customer accounts, net	2,012,895	754,805	21,125	2,788,825
Component unit	-	-	697,111	697,111
Interfund	287,658	405,734	24,941	718,333
Interest	2,542	2,543	795	5,880
Current portion of TVA loans receivable	25,422	-	-	25,422
Prepaid expenses	58,368	47,391	7,053	112,812
Inventories	279,104	447,758	1,161,897	1,888,759
Total current assets	<u>10,640,845</u>	<u>5,399,795</u>	<u>3,833,445</u>	<u>19,874,085</u>
<b>Noncurrent assets</b>				
Restricted cash	449,915	1,635,476	-	2,085,391
Restricted investments	1,873,539	4,446,006	-	6,319,545
Restricted receivables	16,148	-	-	16,148
Net pension asset	456,101	327,649	34,884	818,634
TVA home program loans receivable, less current portion	88,423	-	-	88,423
Capital assets:				
Land, land improvements and roads	331,591	41,975	968,969	1,342,535
Buildings	971,089	148,990	4,469,217	5,589,296
Plant and equipment	47,301,235	54,798,832	866,638	102,966,705
Construction in progress	10,490,868	1,309,450	-	11,800,318
Less accumulated depreciation	(19,026,928)	(25,251,481)	(3,670,296)	(47,948,705)
Net investment in capital lease	-	-	102,417	102,417
Total noncurrent assets	<u>42,951,981</u>	<u>37,456,897</u>	<u>2,771,829</u>	<u>83,180,707</u>
Total assets	<u>53,592,826</u>	<u>42,856,692</u>	<u>6,605,274</u>	<u>103,054,792</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	208,113	149,502	15,917	373,532
Deferred outflows related to OPEB	11,229	11,764	-	22,993
	<u>\$ 53,812,168</u>	<u>\$ 43,017,958</u>	<u>\$ 6,621,191</u>	<u>\$ 103,451,317</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 418,675	\$ 198,233	\$ 4,703	\$ 621,611
Accounts payable - TVA	3,573,033	-	-	3,573,033
Accrued salaries and benefits	123,903	93,787	6,933	224,623
Accrued interest	30,203	95,147	1,524	126,874
Retainage payable	203,612	-	-	203,612
Interfund payables	438,787	252,963	4,032	695,782
Due to component unit	8,386	-	-	8,386
Unearned revenues	1,081	1,284,313	5,758	1,291,152
TVA home program advances	25,422	-	-	25,422
Notes and bonds payable	296,000	605,000	125,740	1,026,740
Total current liabilities	<u>5,119,102</u>	<u>2,529,443</u>	<u>148,690</u>	<u>7,797,235</u>
<b>Noncurrent liabilities</b>				
Customers' deposits	418,102	50,380	-	468,482
Notes and bonds payable, less current portion	13,501,655	18,213,459	-	31,715,114
TVA home program advances, less current portion	88,423	-	-	88,423
OPEB liability	104,369	109,334	9,931	223,634
Total noncurrent liabilities	<u>14,112,549</u>	<u>18,373,173</u>	<u>9,931</u>	<u>32,495,653</u>
Total liabilities	<u>19,231,651</u>	<u>20,902,616</u>	<u>158,621</u>	<u>40,292,888</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	244,083	175,342	18,668	438,093
Deferred inflows related to OPEB	3,849	4,032	366	8,247
Total deferred inflows	<u>247,932</u>	<u>179,374</u>	<u>19,034</u>	<u>446,340</u>
<b>Net position</b>				
Net investment in capital assets	28,359,839	16,931,329	2,634,528	47,925,696
Restricted for pension	456,101	327,649	34,884	818,634
Unrestricted	5,516,645	4,676,990	3,774,124	13,967,759
Total net position	<u>34,332,585</u>	<u>21,935,968</u>	<u>6,443,536</u>	<u>62,712,089</u>
	<u>\$ 53,812,168</u>	<u>\$ 43,017,958</u>	<u>\$ 6,621,191</u>	<u>\$ 103,451,317</u>

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	Business-Type Activities - Enterprise Funds			
	Electric	Water and Sewer	Nonmajor Proprietary Funds	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 28,040,859	\$ 7,085,100	\$ 446,933	\$ 35,572,892
Consumer penalties	173,170	45,689	3,044	221,903
Rental income	266,416	-	301,830	568,246
Other	109,218	87,861	-	197,079
Total operating revenues	<u>28,589,663</u>	<u>7,218,650</u>	<u>751,807</u>	<u>36,560,120</u>
<b>OPERATING EXPENSES</b>				
Operations	22,207,843	3,851,967	385,309	26,445,119
Maintenance	1,381,539	534,402	118,402	2,034,343
Administration	1,402,048	210,250	34,622	1,646,920
Depreciation	1,200,162	1,447,444	145,505	2,793,111
Total operating expenses	<u>26,191,592</u>	<u>6,044,063</u>	<u>683,838</u>	<u>32,919,493</u>
<b>NET OPERATING INCOME</b>	<u>2,398,071</u>	<u>1,174,587</u>	<u>67,969</u>	<u>3,640,627</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	24,087	9,605	15,469	49,161
Interest expense	(394,795)	(594,925)	(16,194)	(1,005,914)
Loss on sale of property	-	-	(33,680)	(33,680)
Insurance proceeds	-	13,306	7,169	20,475
Unrealized gain on investments	62,402	39,577	-	101,979
Bond issuance costs	-	(113,063)	-	(113,063)
Bond and note amortization	3,825	2,022	-	5,847
Net nonoperating revenues (expenses)	<u>(304,481)</u>	<u>(643,478)</u>	<u>(27,236)</u>	<u>(975,195)</u>
Income before transfers and capital contributions	<u>2,093,590</u>	<u>531,109</u>	<u>40,733</u>	<u>2,665,432</u>
Transfers	(564,978)	(82,870)	-	(647,848)
Capital contributions	-	115,687	-	115,687
	<u>(564,978)</u>	<u>32,817</u>	<u>-</u>	<u>(532,161)</u>
<b>CHANGE IN NET POSITION</b>	<u>1,528,612</u>	<u>563,926</u>	<u>40,733</u>	<u>2,133,271</u>
Net position, beginning of year	<u>32,803,973</u>	<u>21,372,042</u>	<u>6,402,803</u>	<u>60,578,818</u>
Net position, end of year	<u>\$ 34,332,585</u>	<u>\$ 21,935,968</u>	<u>\$ 6,443,536</u>	<u>\$ 62,712,089</u>

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	Business-Type Activities - Enterprise Funds			
	Electric	Water and Sewer	Nonmajor Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 27,460,030	\$ 6,868,205	\$ 731,688	\$ 35,059,923
Interfund receipts for services	1,125,386	27,535	(221,513)	931,408
Payments to employees	(2,153,206)	(1,402,397)	(299,447)	(3,855,050)
Payments to suppliers and vendors	(23,129,900)	(1,733,995)	(26,361)	(24,890,256)
Interfund payments for services	(2,271)	(697,876)	4,939	(695,208)
Customer deposits received	225,012	24,150	-	249,162
Customer deposits refunded	(265,716)	(33,928)	-	(299,644)
Net cash provided by operating activities	<u>3,259,335</u>	<u>3,051,694</u>	<u>189,306</u>	<u>6,500,335</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(564,978)	(82,870)	-	(647,848)
Net payments on TVA advances	(42,424)	-	-	(42,424)
Net change in loans receivable	42,424	-	-	42,424
Net cash used in noncapital financing activities	<u>(564,978)</u>	<u>(82,870)</u>	<u>-</u>	<u>(647,848)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(8,553,404)	(1,388,119)	-	(9,941,523)
Capital contributions	-	115,687	-	115,687
Principal paid on long-term debt	(285,000)	(495,000)	(117,223)	(897,223)
Interest paid on long-term debt	(394,884)	(579,043)	(17,614)	(991,541)
Proceeds from bond issue	-	5,101,659	-	5,101,659
Bond issuance cost	-	(113,063)	-	(113,063)
Purchase of investments	(1,811,137)	(4,406,424)	-	(6,217,561)
Proceeds on notes receivable	-	-	111,100	111,100
Insurance proceeds	-	13,306	7,169	20,475
Net cash used in capital and related financing activities	<u>(11,044,425)</u>	<u>(1,750,997)</u>	<u>(16,568)</u>	<u>(12,811,990)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments received under capital lease	-	-	135,000	135,000
Interest received on interest bearing deposits	24,094	7,857	2,594	34,545
Net cash provided by investing activities	<u>24,094</u>	<u>7,857</u>	<u>137,594</u>	<u>169,545</u>
Net increase (decrease) in cash and cash equivalents	(8,325,974)	1,225,684	310,332	(6,789,958)
Cash and cash equivalents, beginning of year	16,750,745	4,151,356	1,610,191	22,512,292
Cash and cash equivalents, end of year	<u>\$ 8,424,771</u>	<u>\$ 5,377,040</u>	<u>\$ 1,920,523</u>	<u>\$ 15,722,334</u>
Cash	\$ 6,974,856	\$ 2,741,564	\$ 1,670,523	\$ 11,386,943
Certificates of deposit	1,000,000	1,000,000	250,000	2,250,000
Restricted cash	449,915	1,635,476	-	2,085,391
	<u>\$ 8,424,771</u>	<u>\$ 5,377,040</u>	<u>\$ 1,920,523</u>	<u>\$ 15,722,334</u>

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

(continued)

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**  
(continued)

	Business-Type Activities - Enterprise Funds			
	Electric	Water and Sewer	Nonmajor Proprietary Funds	Total
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Net operating income	\$ 2,398,071	\$ 1,174,587	\$ 67,969	\$ 3,640,627
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	1,393,953	1,447,444	145,505	2,986,902
Change in assets and liabilities:				
Customer receivables	142,609	(284,949)	(700)	(143,040)
Inventory	(23,907)	(94,097)	-	(118,004)
Prepaid expenses	(2,590)	(4,224)	407	(6,407)
Interfund receivables	(114,177)	(17,670)	(15,582)	(147,429)
Accounts payable	(440,739)	(26,147)	(5,368)	(472,254)
Interfund payables	22,484	96,697	(660)	118,521
Due to component unit	528	-	-	528
Accrued expenses	(7,160)	10,240	2,587	5,667
Unearned revenues	1,081	784,313	1,102	786,496
Customer deposits	(40,704)	(9,778)	-	(50,482)
Net pension asset	(209,812)	(146,574)	(23,524)	(379,910)
OPEB liability	12,014	20,551	(705)	31,860
Deferred outflows related to pension	(4,448)	30,673	5,053	31,278
Deferred outflows related to OPEB	(11,229)	(11,764)	-	(22,993)
Deferred inflows related to pension	143,748	82,433	13,344	239,525
Deferred inflows related to OPEB	(387)	(41)	(122)	(550)
Net cash provided by operating activities	<u>\$ 3,259,335</u>	<u>\$ 3,051,694</u>	<u>\$ 189,306</u>	<u>\$ 6,500,335</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Loss on sale of land/inventory to component unit through notes receivable	\$ -	\$ -	\$ (33,680)	\$ (33,680)

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

**CITY OF DAYTON, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND - INTERNAL SCHOOL FUND**  
**FIDUCIARY FUND**  
**June 30, 2019**

**ASSETS**

Cash	\$ 50,497
Restricted cash	37,892
Accounts receivable	<u>451</u>
Total assets	<u><u>\$ 88,840</u></u>

**LIABILITIES**

Accounts payable	\$ 3,618
Due to student groups	<u>85,222</u>
Total liabilities and fund balance	<u><u>\$ 88,840</u></u>

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

The City of Dayton, Tennessee (the City) was incorporated in 1895 under Tennessee law and is governed by an elected five member council.

In accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, which are to be presented on a full accrual basis of accounting. The City's funds are reported as governmental activities or business-type activities. Fund financial statements are presented on the modified accrual basis of accounting for governmental activities and present information by individual major funds. Nonmajor funds are presented in total in one column.

The financial statements of the City have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies used by the City are described below.

***A. Financial Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City of Dayton, Tennessee (the primary government) and its component units. The component units are presented in separate columns in the government-wide financial statements to emphasize their separate legal status from the primary government. The component units discussed below are included in the City's reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the City as follows:

**Component Units:**

**Industrial Development Board:**

The Industrial Development Board (IDB) operates as a public corporation to finance, acquire, dispose, or lease property to increase employment opportunities in the City of Dayton, Tennessee. The Industrial Development Board is governed by a Board of Directors appointed by the City Council and reports using the economic resources measurement focus and the accrual basis of accounting.



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***A. Financial Reporting Entity (continued)***

**Dayton Utilities Grant Program:**

The Dayton Utilities Grant Program (Utilities Grant Program) was established during 2005 by the Dayton City Council to provide for and administer donations by utility customers of the City of Dayton. The Utilities Grant Program collects donations from utility customers and awards funds to qualified recipients. Awards are made to nonprofit or governmental organizations for community improvement and social welfare based upon the approval of the Utilities Grant Program's Board of Directors. The Board is composed of the five Dayton City Council members or their appointees and four additional unpaid directors appointed at-large by the Council from the Dayton Utilities service area.

***B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus***

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities rely to a significant extent on fees and charges for services.

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

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met.

Resources transmitted before the eligibility requirements are met should be reported as advances by the provider and unearned revenue by the recipient. Certain nonexchange transactions where revenues are collected by other governments are not recognized in the statement of activities because they are not measurable at year end. The statement of activities reflects these transactions (bank excise tax and gross receipts tax) on the same basis as the fund financial statements.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)***

**Government-wide Financial Statements: (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. The City does not allocate indirect expenses to functions or activities in the statement of activities. Program revenues include 1) charges to individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not considered program revenues are reported as general revenues.

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

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)***

**Fund Financial Statements: (continued)**

State and federal funding is recognized as revenue in the period the City is entitled to the resources and the amounts are available. Reimbursements from expenditure-driven programs are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Proprietary funds activity and transactions are classified as operating if the transaction constitutes activity that is the funds' principal ongoing operations. Activity not pertaining to the funds' ongoing operations is reported as nonoperating.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The City's fiduciary fund is presented in the fund financial statements as an agency fund. Since by definition agency fund assets are held in a purely custodial capacity for the benefit of a third party and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements. The agency fund incorporates accounting principles similar to proprietary funds. The reporting focus is on net position held to benefit third parties with no operations reported.

**Governmental Funds:**

The measurement focus of governmental funds is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. The following are the City's governmental fund types:

**General Fund:** The General Fund is the principal fund of the City and is used to account for the financial resources of the City, which are not accounted for in other funds. The principal sources of revenues are taxes and state-shared revenue. Primary expenditures are for public safety, public works and general administration.

**Special Revenue Funds:** Special Revenue Funds are used to account for revenues from sources which, by law, are designated to finance particular functions or activities of the City and which, therefore, cannot be diverted to other uses.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)***

**Governmental Funds: (continued)**

Department of Education – General Purpose Fund: This fund accounts for funds received for the purpose of providing education and operating Dayton City School. The primary sources of revenues are taxes and state-shared revenues.

Department of Education – Federal Projects Fund: This fund accounts for education federal awards.

Department of Education – School Cafeteria Fund: This fund accounts for operations of the Dayton City School Cafeteria. A substantial portion of the School Cafeteria Fund's resources are derived from federal and state funding for child nutrition.

Drug Fund: This fund was established expressly to account for financial activities related to drug revenues and expenditures. Primary sources of revenue result from drug fines and forfeitures restricted under law for drug enforcement and drug awareness and education.

State Street Aid Fund: This fund accounts for state-shared gasoline tax revenue received to provide for street lighting and road maintenance. State funds received specifically for street lighting and road maintenance are the primary revenue sources.

Capital Projects Fund: Resources designated for the construction or acquisition of major capital assets are accounted for in this fund. Revenues are derived primarily from debt proceeds or capital grants.

Department of Education – Capital Projects Fund: Resources designated for the construction or acquisition of major education capital assets are accounted for in this fund. Revenues are derived primarily from ½ cent sales tax revenue.

Debt Service Fund: This fund accounts for the payment of principal and interest on the City's general obligation long-term debt.

**Proprietary Funds:**

Proprietary Funds of the City are all Enterprise Funds. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector and, accordingly, these funds are maintained on the accrual basis of accounting. The City's proprietary fund type, which are all enterprise in nature, are as follows:

Enterprise Funds: These funds account for the acquisition, operations, and maintenance of City facilities and services which are entirely or predominantly self-supporting through user charges.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)***

**Proprietary Funds: (continued)**

Electric Fund: To provide electricity to customers by operating and maintaining electric facilities.

Water and Sewer Fund: To provide water and sewer services to customers by operating and maintaining the water and sewer plants.

Industrial Park Fund: To promote industrial growth in the City by maintaining an inventory of industrial building sites held for sale, and owning, leasing, or selling industrial buildings.

Skill Center Fund: To promote regional employment education and training by providing a facility for organizations conducting training related programs.

Sanitation Fund: This fund accounts for usage fees collected by the City to provide for sanitation services.

**Fiduciary Funds:**

Fiduciary funds include trust and agency funds. The following is the City's fiduciary fund type:

Agency Fund: This fund is custodial in nature and is used to account for assets held by the City as an agent.

Department of Education – Internal School Fund: This fund accounts for various school activities at Dayton City School.

Funds are classified as major funds or nonmajor funds within the statements. An emphasis is placed on major funds with all nonmajor funds presented in total in one column on the governmental and proprietary funds financial statements.

The City's major governmental funds are the General Fund and the Department of Education – General Purpose Fund. The City's major proprietary funds are the Electric Fund and Water and Sewer Fund.

***C. Budgets and Budgetary Accounting***

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

1. Prior to April 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***C. Budgets and Budgetary Accounting (continued)***

2. A public hearing is conducted at the Municipal Building to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager 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 City Council. Expenditures may not exceed appropriations at the fund level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Budgetary control is achieved for the Debt Service Fund through general obligation bond indenture provisions.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations which are not expensed or encumbered lapse at year end.

***D. Use of Estimates in the Preparation of Financial Statements***

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

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

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of 90 days or less. In accordance with governmental accounting standards, restricted assets which meet the standard's criteria are considered cash equivalents for purposes of the statements of cash flows.

***F. Inventories***

Inventories are recorded at the lower of cost (first-in, first-out method) or market except in the Department of Education-School Cafeteria Fund. Inventory recorded in the School Cafeteria Fund consists of commodities granted by the United States Department of Agriculture (USDA), nonperishable food and nonfood supplies. All purchased inventory items are recorded at the lower of cost (first-in, first-out method) or market. Commodities are assigned values based on information provided by the USDA. Inventory recorded in the Industrial Park Fund consists of land tracts purchased by the City to be developed and resold.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***G. Capital Assets***

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide statements and in the fund financial statements for proprietary funds. Repairs and maintenance are recorded as expenses. Capital assets are defined as assets with an estimated useful life in excess of one year and an initial individual cost in excess of the respective funds threshold for capitalization. Activities which extend the useful life of a capital asset are capitalized. Interest costs incurred during the construction phase of capital assets are capitalized as part of the constructed asset cost in business-type activities. During the year, no interest was capitalized by the primary government or by either of the component units. Donated assets are recorded at their fair market value on the date of donation. Individual fund's threshold for capitalization is as follows:

	Electric, Water and Sewer Funds	Department of Education Funds	All Other City Funds
Building and improvements	\$ 500	\$ 50,000	\$ 25,000
Land	500	All	All
Construction in progress	500	All	All
Land improvements	500	50,000	25,000
Machinery and equipment	500	2,000	1,000
Vehicles	500	2,000	1,000
Furniture and office equipment	500	1,000	1,000
Infrastructure	500	100,000	100,000

GASB No. 34 requires the City to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges and sidewalks. Neither their original cost nor related depreciation has historically been reported in the governmental fund financial statements. The retroactive reporting of infrastructure is limited to major general infrastructure assets acquired after June 30, 1980. The pronouncement sets forth the method to group and evaluate networks or systems of infrastructure assets to determine those meeting the criteria for retroactive capitalization. Based on the application of GASB No. 34 criteria, the City had no retroactively capitalized infrastructure assets.

Capital asset depreciation is provided using the straight-line method over the estimated useful lives as follows:

- Buildings and improvements	15-40 years
- Machinery and equipment	3-20 years
- Vehicles	3-5 years
- Furniture and office equipment	3-10 years
- System lines and distribution	40-50 years
- Infrastructure	20-50 years

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***G. Capital Assets (continued)***

In the fund financial statements, the acquisition of capital assets is accounted for as capital outlay expenditures and depreciation is not reported.

***H. Interfund Transactions***

During the course of the City's operations, transactions occur between individual funds that are classified as transfers or as receivables/payables in the fund financial statements. These fund transactions are eliminated in the government-wide financial statements within the governmental activities column and the business-type activities column. Internal balances are presented in the government-wide financial statements for balances existing between governmental activities and business-type activities.

***I. Debt Issue Costs and Bond Discounts and Premiums***

Debt issue costs are expensed as incurred. Bond discounts and premiums are amortized using the straight-line method over the life of the related debt in the business-type activities and government-wide financial statements.

***J. Vacation Pay and Sick Leave***

City employees are paid for vacation and absence due to sickness by prescribed formulas based on length of service. Vacation and sick leave for employees of governmental funds are considered payable from current financial resources. Sick leave does not vest for City employees so no liability exists at year end. Vacation leave is based on employment date, with limited unused vacation leave available for carryover. The proprietary and governmental funds have recognized a current liability for the vacation leave remaining where anniversary dates cross the fiscal year end and where the limited carryover leave is available.

***K. Long-term Debt***

Long-term debt consists of bonds and notes incurred by the City with a repayment period longer than one year and without provisions allowing the debt holder to demand payment at an earlier time. For debt issued by governmental funds, the accounting treatment of long-term debt differs between the government-wide and fund financial statements. All long-term debt is reported as a liability in the government-wide statements. The fund financial statements for governmental funds report long-term debt principal and interest payments as expenditures and do not reflect a liability for these or any other long-term liability.

***L. Property Taxes***

In the government-wide financial statements, property tax revenues are recognized as revenue in the fiscal year for which the taxes are levied. Property taxes are based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on the assessment date and are therefore recognized on this date. In October, property taxes are due and are considered delinquent if not paid by the first day of March. Amounts owed to the City as of year end, which



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***L. Property Taxes (continued)***

are not available, are recorded as receivables and unearned revenue in the fund financial statements. The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Taxes not collected as of March 1 of the following year are considered delinquent and are subject to lien on March 1 of the succeeding year.

Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Public Utility Property	55%	(Railroads 40%)
Industrial and Commercial Property		
Real	40	
Personal	30	
Residential Property	25	

The appraised value as of January 1, 2018, was \$553,214,815. The assessed value was \$179,452,777, making the total assessed value approximately 32.44 percent of the total actual value.

The 2018 taxes are levied at a rate of \$0.64 per \$100 of assessed value. Current tax collections of \$1,087,924 for the fiscal year ended June 30, 2019, were approximately 94.70 percent of the 2018 tax levy. In addition, \$450,362 of county property taxes were collected by the Department of Education – General Purpose Fund.

The 2019 taxes were levied at a rate of \$0.58 per \$100 of assessed value and have been recorded as a receivable at June 30, 2019. An allowance for doubtful collection has been estimated and established for this levy and there are no current tax collections related to the 2019 levy.

***M. Allowance for Doubtful Accounts Receivable***

The City reports accounts receivables for certain funds net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowances are estimated by management based on past experience.

Allowances for accounts where collection is doubtful have been provided for property taxes in the governmental funds as follows:

General Fund	\$100,371
Department of Education - General Purpose Fund	5,000

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***M. Allowance for Doubtful Accounts Receivable (continued)***

Allowances for accounts where collection is doubtful have been provided in the proprietary funds as follows:

Electric Fund	\$ 380,257
Water and Sewer Fund	101,605
Sanitation Fund	19,352

***N. Restricted Assets***

The City's restricted assets at June 30, 2019, are as follows:

Fiduciary Fund:	
Cash restricted for student activities	<u>\$ 37,892</u>
Restricted cash:	
Electric Fund:	
Construction	\$ 246,166
Retainage	203,749
Water and Sewer Fund:	
Construction	351,163
Grant funds	<u>1,284,313</u>
	<u>\$ 2,085,391</u>
Restricted receivables:	
Electric Fund:	
TVA Heat Pump loan interest	\$ 11,757
Utilities Grant Program customer contributions	<u>4,391</u>
	<u>\$ 16,148</u>
Restricted investments:	
Electric Fund - Construction	\$ 1,873,539
Water and Sewer Fund - Construction	<u>4,446,006</u>
	<u>\$ 6,319,545</u>

Component Unit restricted assets at June 30, 2019 are as follows:

Component Unit:	
Industrial Development Board:	
Cash restricted for construction	<u>\$ 733,229</u>

***O. Pensions***

***Public Employee Retirement Plan.*** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***O. Pensions (continued)***

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 terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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

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

***P. Other Postemployment Benefits (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms.

***Q. Net Position and Fund Balances***

Net position in the government-wide financial statements are classified in three components:

1. Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related debt that is attributable to the acquisition, construction, or improvement of those assets. If there are unspent debt proceeds, these proceeds are not included in the calculation of invested in capital assets, net of related debt.
2. Restricted net position – Consists of assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (continued)**

***Q. Net Position and Fund Balances (continued)***

3. Unrestricted net position – All other assets that do not meet the definition of restricted or net investment in capital assets.

GASB No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

Fund balance in the fund financial statements is reported in five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other funds.

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

When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, then assigned funds, and unassigned funds last.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

**Primary Government:**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b><u>Governmental Activities</u></b>				
Capital assets being depreciated:				
Buildings	\$ 14,719,586	\$ 422,106	\$ -	\$ 15,141,692
Infrastructure	46,750	-	-	46,750
Equipment	9,715,217	283,641	4,000	9,994,858
Land improvements	75,617	-	-	75,617
Total depreciable capital assets	<u>24,557,170</u>	<u>705,747</u>	<u>4,000</u>	<u>25,258,917</u>
Accumulated depreciation:				
Buildings	7,916,288	374,539	-	8,290,827
Infrastructure	35,845	3,117	-	38,962
Equipment	6,399,465	479,634	2,800	6,876,299
Land improvements	35,453	3,424	-	38,877
Total accumulated depreciation	<u>14,387,051</u>	<u>860,714</u>	<u>2,800</u>	<u>15,244,965</u>
Net depreciable capital assets	<u>10,170,119</u>	<u>(154,967)</u>	<u>1,200</u>	<u>10,013,952</u>
Capital assets not being depreciated:				
Land	832,958	194,202	-	1,027,160
Construction in progress	1,936,292	1,851,682	99,598	3,688,376
Nondepreciable capital assets	<u>2,769,250</u>	<u>2,045,884</u>	<u>99,598</u>	<u>4,715,536</u>
Net governmental capital assets	<u>\$ 12,939,369</u>	<u>\$ 1,890,917</u>	<u>\$ 100,798</u>	<u>\$ 14,729,488</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Capital Assets (continued)**

**Primary Government: (continued)**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b><u>Business-Type Activities</u></b>				
Capital assets being depreciated:				
Buildings	\$ 5,592,598	\$ 3,168	\$ 6,470	\$ 5,589,296
Plant and equipment	100,499,440	2,523,473	56,208	102,966,705
Roads and land improvements	514,066	-	-	514,066
Total depreciable capital assets	<u>106,606,104</u>	<u>2,526,641</u>	<u>62,678</u>	<u>109,070,067</u>
Accumulated depreciation:				
Buildings	3,150,873	131,901	6,470	3,276,304
Plant and equipment	41,670,042	2,839,997	56,208	44,453,831
Roads and land improvements	203,566	15,004	-	218,570
Total accumulated depreciation	<u>45,024,481</u>	<u>2,986,902</u>	<u>62,678</u>	<u>47,948,705</u>
Net depreciable capital assets	<u>61,581,623</u>	<u>(460,261)</u>	<u>-</u>	<u>61,121,362</u>
Capital assets not being depreciated:				
Land	828,469	-	-	828,469
Construction in progress	3,942,676	10,211,038	2,353,396	11,800,318
Nondepreciable capital assets	<u>4,771,145</u>	<u>10,211,038</u>	<u>2,353,396</u>	<u>12,628,787</u>
Net business-type capital assets	<u>\$ 66,352,768</u>	<u>\$9,750,777</u>	<u>\$2,353,396</u>	<u>\$ 73,750,149</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Capital Assets (continued)**

**Primary Government: (continued)**

Depreciation expense was charged to functions as follows:

Governmental Activities		Business-Type Activities	
General government	\$ 23,927	Electric	\$ 1,200,162
Public safety-police	85,507	Water	1,037,670
Public safety-fire	109,632	Sewer	409,774
Maintenance	23,000	Industrial Park	36,109
Highways and streets	64,353	Skill Center	81,531
Parks and recreation	43,827	Sanitation	<u>27,865</u>
Library	36,791		
Airport	184,682	Total business-type	
Education:		activities depreciation	
Instructional	61,038	expense	2,793,111
Support services	7,852		
Noninstructional	6,048	Depreciation charged to	
Unallocated	<u>214,057</u>	other expense accounts	<u>193,791</u>
Total governmental activities			
depreciation expense	<u>\$ 860,714</u>	Total depreciation	<u>\$ 2,986,902</u>

The Electric Fund had depreciation of \$193,791 charged to other accounts in 2019. Unallocated depreciation consists of depreciation related to the City's Department of Education buildings, which serve multiple educational functions.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Capital Assets (continued)**

**Component Units:**

Capital asset activity for the Industrial Development Board for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Buildings and improvements -				
depreciable	\$ 4,132,765	\$ -	\$ -	\$ 4,132,765
Buildings-accumulated depreciation	220,493	103,319	-	323,812
Net depreciable capital assets	3,912,272	(103,319)	-	3,808,953
Land - nondepreciable	6,217,595	-	-	6,217,595
Construction in progress	9,520,219	10,804,590	-	20,324,809
Net component unit capital assets	<u>\$ 19,650,086</u>	<u>\$ 10,701,271</u>	<u>\$ -</u>	<u>\$ 30,351,357</u>

Depreciation expense for the Industrial Development Board in 2019 was \$103,319.

During 2018, the Industrial Development Board began work on the Nokian Tyres U.S. Operations, LLC plant infrastructure and site development construction and continued through 2019. Construction in progress was \$20,324,809 at June 30, 2019. Total project cost is expected to be \$28,424,000. See Note 14 for further discussion.

The Utilities Grant Program had no capital assets at year end.



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Long-Term Debt and Other Long-Term Liabilities**

Long-term debt of the City at June 30, 2019, consisted of the following:

	<u>Balance 6/30/19</u>	<u>Due within one year</u>
<b>Governmental Activities</b>		
Capital Outlay Note, Series 2015; dated November 10, 2014; 3.25%; due annually on November 30	\$ 849,220	\$ 94,754
Capital Outlay Note, Series 2017; dated March 27, 2017; 2.75%; due annually on March 27	250,000	50,000
Tennessee Municipal Bond Fund Taxable Capital Outlay Note, Series 2017; dated March 22, 2017; 4.45%; principal due annually on February 1; interest due semi- annually	<u>1,734,000</u>	<u>142,000</u>
Total long-term debt – governmental activities	<u>2,833,220</u>	<u>286,754</u>
<b>Business-Type Activities</b>		
General Obligation Bonds, Series 2013; dated August 1, 2013; 3.0% to 4.5%; due annually on June 30	5,255,000	210,000
General Obligation Bonds, Series 2012; dated June 15, 2012; 2.0% to 3.75%; due annually on June 30	7,975,000	225,000
Sewer System Improvements, Capital Outlay Note, Series 2015; dated November 30, 2015; 2.85%; due annually on November 30	490,000	70,000
Sewer System General Obligation Bonds, Series 2018; dated December 7, 2018; 3.00% to 5.00%; interest due semi-annually through June 2020, principal due annually on June 1	4,995,000	100,000
Electric System General Obligation Bonds, Series 2017; dated September 15, 2017; 2.0% to 3.25%; interest due semi-annually through 2020, principal due annually on June 1	9,905,000	-
Electric System Revenue Bonds, Series 2011; dated July 15, 2011; 2.0% to 4.4%; principal due annually on June 1; interest due semi-annually	2,115,000	140,000
City of Clarksville, Tennessee Revenue Bonds, Series 2008; dated September 16, 2008; variable interest; principal due annually on May 25; interest due monthly	1,690,000	156,000
Taxable Public Improvement Revenue Bond, Series 2000; dated June 20, 2000; 7.25%; due annually on June 30	<u>125,740</u>	<u>125,740</u>
Total long-term debt – business-type activities	32,550,740	1,026,740
Unamortized bond discount	(114,461)	-
Unamortized bond premium	<u>305,575</u>	<u>-</u>
Net long-term debt – business-type activities	<u>32,741,854</u>	<u>1,026,740</u>
Total long-term debt – primary government	<u>\$ 35,575,074</u>	<u>\$ 1,313,494</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Long-Term Debt and Other Long-Term Liabilities (continued)**

Primary government long-term debt and other long-term liabilities activity for the year is as follows:

	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Due within one year
<b>Governmental Activities:</b>					
Capital outlay notes	\$ 3,110,991	\$ -	\$ 277,771	\$ 2,833,220	\$ 286,754
<b>Business-Type Activities:</b>					
Water and sewer - general obligation bonds	\$13,655,000	\$ -	\$ 425,000	\$13,230,000	\$ 435,000
Water and sewer - capital outlay note	560,000	-	70,000	490,000	70,000
Industrial Park - revenue bonds	242,963	-	117,223	125,740	125,740
Sewer - general obligation bonds	-	4,995,000	-	4,995,000	100,000
Electric - bonds	13,995,000	-	285,000	13,710,000	296,000
	<u>28,452,963</u>	<u>4,995,000</u>	<u>897,223</u>	<u>32,550,740</u>	<u>1,026,740</u>
<b>Other long-term liabilities:</b>					
TVA advances	156,269	-	42,424	113,845	25,422
Customers' deposits	518,964	249,162	299,644	468,482	-
Total other long-term liabilities	675,233	249,162	342,068	582,327	25,422
	<u>\$29,128,196</u>	<u>\$ 5,244,162</u>	<u>\$ 1,239,291</u>	<u>\$33,133,067</u>	<u>\$ 1,052,162</u>

The City authorized the issuance of General Obligation Bonds not to exceed \$19,000,000 for financing the construction of extensions and improvements to the water and sewer systems. During 2019, the City issued Sewer System General Obligation Bonds, Series 2018, dated December 7, 2018 of \$4,995,000 for Sewer System improvements. Bond issue costs of \$113,063 were incurred related to this issue. The costs were expensed in the Water and Sewer Fund. The Water and Sewer Fund had restricted unspent bond funds of \$4,797,169 that are reflected as restricted cash and restricted investments in the accompanying financial statements.

During 2018, the City authorized the issuance of Electric System General Obligation Bonds, Series 2017, dated September 15, 2017 of \$9,905,000 for acquisition of land and equipment, and construction related to the electric system. Bond issuance costs of \$157,833 were incurred related to this issue. These costs were expensed in the Electric Fund. The Electric Fund had restricted unspent bond funds of \$2,119,705 that are reflected as restricted cash in the accompanying financial statements.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Long-Term Debt and Other Long-Term Liabilities (continued)**

In 2017, the City authorized the issuance of two capital outlay notes not to exceed \$2,350,000. A \$2,000,000 Tennessee Municipal Bond Fund Taxable capital outlay note, Series 2017 was used to purchase industrial property and matures in 2029. A \$350,000 capital outlay note, Series 2017 was used to purchase a fire truck, and matures in 2024.

The City authorized the issuance of General Obligation Bonds not to exceed \$17,350,000 for construction and improvements to the water and sewer systems and all related costs. During 2012, General Obligation Bonds, Series 2012 of \$9,850,000 were issued by the City. The proceeds were used to finance various system construction and improvements and to advance refund the Water and Sewer Revenue and Tax Refundings Bonds, Series 2002.

During 2013, the City issued General Obligation Bonds of \$6,000,000, Series 2013 dated August 1, 2013, which are being utilized for additional construction and improvements to the water and sewer systems. These General Obligation Bonds are to be repaid from Water and Sewer operations and are accounted for in the Water and Sewer Fund.

The Series 2011 electric bonds are payable from and secured by a first pledge of the revenues to be derived from the operation of the system. The 2008 and 2017 electric bonds, and the 2012, 2013 and 2018 water and sewer bonds are payable from and secured by unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. It is the City's intent to pay these bonds from revenues derived from operation of the respective systems and ad valorem taxes would be utilized only if system revenues are insufficient.

The electric bonds, Series 2008, require monthly interest at a variable rate which was set at 2.07 percent at June 30, 2019.

The proceeds from the City's capital lease, discussed in Note 8 and accounted for in the Industrial Park Fund, are pledged for repayment of the Series 2000 Public Improvement Revenue Bonds.

The Capital Outlay Notes are backed by the City's full faith and credit and its taxing authority.

The principal and interest payments on all long-term debt were current as of June 30, 2019.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Long-Term Debt and Other Long-Term Liabilities (continued)**

A summary of the maturities of principal and interest due on long-term debt is as follows:

**Governmental Activities**

	Capital Outlay Notes		
	Principal	Interest	Total
2020	\$ 286,754	\$ 111,681	\$ 398,435
2021	295,766	100,956	396,722
2022	305,011	89,750	394,761
2023	315,293	78,240	393,533
2024	325,683	66,315	391,998
2025-2029	1,304,713	154,602	1,459,315
	<u>\$2,833,220</u>	<u>\$ 601,544</u>	<u>\$3,434,764</u>

**Business-Type Activities**

	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 421,740	\$ 106,053	\$ 535,000	\$ 934,794
2021	308,000	91,270	880,000	918,994
2022	321,000	85,387	905,000	892,844
2023	334,000	78,905	930,000	866,194
2024	342,000	72,185	955,000	838,382
2025-2029	1,804,000	229,598	5,245,000	3,749,873
2030-2034	400,000	26,400	6,085,000	2,879,513
2035-2039	-	-	7,095,000	1,801,012
2040-2044	-	-	4,460,000	555,150
2045-2048	-	-	1,040,000	106,000
	<u>\$ 3,930,740</u>	<u>\$ 689,798</u>	<u>\$ 28,130,000</u>	<u>\$13,542,756</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Long-Term Debt and Other Long-Term Liabilities (continued)**

	<u>Capital Outlay Note</u>		<u>Total Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 70,000	\$ 12,715	\$ 1,026,740	\$ 1,053,562	\$ 2,080,302
2021	70,000	10,757	1,258,000	1,021,021	2,279,021
2022	70,000	8,742	1,296,000	986,973	2,282,973
2023	70,000	6,670	1,334,000	951,769	2,285,769
2024	70,000	4,536	1,367,000	915,103	2,282,103
2025-2029	140,000	2,958	7,189,000	3,982,429	11,171,429
2030-2034	-	-	6,485,000	2,905,913	9,390,913
2035-2039	-	-	7,095,000	1,801,012	8,896,012
2040-2044	-	-	4,460,000	555,150	5,015,150
2045-2048	-	-	1,040,000	106,000	1,146,000
	<u>\$ 490,000</u>	<u>\$ 46,378</u>	<u>\$ 32,550,740</u>	<u>\$14,278,932</u>	<u>\$ 46,829,672</u>

**Component Unit**

The Industrial Development Board note outstanding is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2018</u>			<u>June 30, 2019</u>	<u>one year</u>
Note payable; 3.50%; due in monthly installments of \$10,904 with remaining balance due September 2021	<u>\$400,717</u>	<u>\$ -</u>	<u>\$118,537</u>	<u>\$ 282,180</u>	<u>\$123,042</u>

The City's Industrial Park Fund has pledged substantially all its rents as additional security for the Industrial Development Board note.

A summary of principal and interest due on the note payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 123,042	\$ 7,810	\$ 130,852
2021	127,419	3,433	130,852
2022	31,719	157	31,876
	<u>\$ 282,180</u>	<u>\$ 11,400</u>	<u>\$ 293,580</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 4. Cash, Investments, and Certificates of Deposit**

The City Council established a cash deposit and investment policy that is to be followed in conjunction with state statutes. This policy states that cash in excess of immediate needs may be placed in other deposit instruments or in any investment instruments which are in accordance with applicable laws including, but not limited to, the following: certificates of deposit and savings accounts in banks and savings and loan associations; Tennessee Valley Authority Bonds; bonds, notes, or treasury bills of the United States; Federal Land Bank Bonds; Federal Home Loan Bank Notes and Bonds; Federal National Mortgage Association Notes and Debentures; banks for cooperative debentures, obligations of the U.S. government, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States; the pooled investment fund of the State of Tennessee; or repurchase agreements.

State statutes require that all deposits with financial institutions must be collateralized by an amount equal to 105 percent of the face amount or the value of uninsured deposits. Under these statutes, the deposits must be either covered by state or federal depository insurance, by collateral held by the City's agent in the City's name or by the Federal Reserve Banks acting as a third-party agent. The statutes also authorize the types of investments in which the City can invest.

At June 30, 2019, all amounts held by the primary government and its component units were in cash deposit accounts, U.S. Treasury Securities, fixed government agency securities, or in certificates of deposit at financial institutions. The City is subject to custodial credit risk, which is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's policy and state statutes address this by requiring 105 percent collateralization of all uninsured deposits. All deposit amounts of the primary government and each of its component units were insured or collateralized in accordance with state statutes at June 30, 2019.

See Note 5 for further information regarding the City's investments.

**Note 5. Fair Value of Investments**

The City categorizes its fair value of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. At June 30, 2019, some of the unspent bond proceeds from the City's Electric System General Obligation Bonds, Series 2017, and Sewer System General Obligation Bonds, Series 2018, are classified as restricted investments.

Debt securities are valued based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Fair Value of Investments (continued)**

The following table sets forth by level, within the fair value hierarchy, the fair value of the City's restricted investments as of June 30, 2019:

Investment by Fair Value Level	Total 6/30/19	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bills and Notes	\$4,446,006	\$4,446,006	\$ -	\$ -
Fixed government agency securities	<u>1,873,539</u>	<u>-</u>	<u>1,873,539</u>	<u>-</u>
Total	<u>\$6,319,545</u>	<u>\$4,446,006</u>	<u>\$1,873,539</u>	<u>\$ -</u>

**Note 6. Interfund Transactions**

Amounts reported in the fund financial statements as interfund receivables, payables, and transfers are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net amounts due between governmental and business-type activities, which are presented as internal balances.

**Interfund Receivables and Payables:**

Interfund receivables and payables on the fund financial statements are as follows:

	Payables						
	General Fund	General Purpose Fund	Electric Fund	Water and Sewer Fund	Nonmajor Govern- mental Funds	Nonmajor Enterprise Funds	Total
Receivables							
General Fund	\$ -	\$ -	\$ 8,864	\$ 14,465	\$ -	\$ 1,793	\$ 25,122
General Purpose Fund	-	-	-	-	105,461	-	105,461
Electric Fund	34,488	-	-	238,498	12,447	2,225	287,658
Water and Sewer Fund	70	-	405,650	-	-	14	405,734
Nonmajor Govern- mental Funds	5,000	55	-	-	-	-	5,055
Nonmajor Enterprise Funds	668	-	24,273	-	-	-	24,941
	\$ 40,226	\$ 55	\$ 438,787	\$ 252,963	\$ 117,908	\$ 4,032	\$ 853,971

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Interfund Transactions (continued)**

**Interfund Receivables and Payables: (continued)**

Receivables and payables between the primary government and its discretely presented component units are as follows:

<u>Receivables</u>	<u>Payables</u>		
	<u>Electric Fund</u>	<u>Industrial Development Board</u>	<u>Total</u>
General Fund	\$ -	\$ 2,106,447	\$ 2,106,447
Industrial Park Fund	-	697,111	697,111
Utilities Grant Program	8,386	-	8,386
	<u>\$ 8,386</u>	<u>\$ 2,803,558</u>	<u>\$ 2,811,944</u>

**Transfers:**

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
<u>Governmental Activities:</u>		
General Fund	Department of Education – General Purpose Fund	\$ 315,675
General Fund	Debt Service	277,461
Capital Projects Fund	Department of Education – Capital Projects Fund	359,754
Department of Education – General Purpose Fund	Capital Projects Fund	237,011
<u>Business-Type Activities:</u>		
Electric Fund	General Fund	564,978
Water and Sewer Fund	General Fund	82,870

Interfund transactions are used to (1) move revenues from the fund that state statute or city ordinances requires to collect them to the fund that state statutes or city ordinances requires to expend them, (2) move receipts for debt service from the General Fund to the Debt Service Fund as debt service payments become due, (3) to finance various programs accounted for in other funds using unrestricted revenues collected in the General Fund in accordance with budgetary authorizations, (4) to reimburse costs incurred that should be contributed from funds for capital assets, and (5) to reflect transfers resulting from interfund payments of in-lieu of taxes.



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Detail of Net Position and Fund Balances**

Net position reported on the government-wide statement of net position includes the following:

	Governmental Activities	Business- Type Activities	Total	Component Units	
				Utilities Grant Program	Industrial Development Board
Capital assets	\$ 29,974,453	\$ 121,698,854	\$ 151,673,307	\$ -	\$ 30,675,169
Accumulated depreciation	(15,244,965)	(47,948,705)	(63,193,670)	-	(323,812)
Debt related to acquisition and construction of capital assets, less unspent debt proceeds, net	(2,885,676)	(25,824,453)	(28,710,129)	-	(4,585,734)
Net investment in capital assets	11,843,812	47,925,696	59,769,508	-	25,765,623
Restricted	1,385,086	818,634	2,203,720	19,185	733,229
Unrestricted	10,947,279	13,967,759	24,915,038	-	1,788,397
Total net position	<u>\$ 24,176,177</u>	<u>\$ 62,712,089</u>	<u>\$ 86,888,266</u>	<u>\$ 19,185</u>	<u>\$ 28,287,249</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Detail of Net Position and Fund Balances (continued)**

***Fund Balances:***

Fund balances reported on the fund financial statements include the following:

**Nonspendable:**

**General Fund:**

Prepaid items	\$ 436,429
Inventory	13,698
School Cafeteria Fund - Inventory	<u>8,356</u>
Total nonspendable fund balances	<u>458,483</u>

**Restricted:**

**General Purpose School Fund:**

STEM	3,202
Career Ladder	167
Stabalization reserve	8,976
General Fund - e-Citations	1,830
Drug Fund	45,830
State Street Aid Fund - Maintenance and lighting	12,852
School Cafeteria Fund	<u>160,246</u>
Total restricted fund balances	<u>233,103</u>

**Committed:**

General Fund - Fire equipment and debt service	213,667
General Purpose School Fund:	
Technology	30,000
Capital outlay	<u>46,550</u>
Total committed fund balances	<u>290,217</u>

**Assigned:**

General Purpose School Fund - Education	2,318,396
Capital Projects Fund - School construction	785,765
Capital Projects Fund - Projects	15,688
State Street Aid Fund - Maintenance and lighting	71,500
School Cafeteria Fund - Child nutrition	146,691
Education Capital Projects Fund - School construction	<u>1,389</u>
Total assigned fund balances	<u>3,339,429</u>

**Unassigned:**

General Fund	<u>7,484,082</u>
Total fund balances	<u>\$ 11,805,314</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Lease Agreements**

**Capital Lease:**

The City entered a 20-year lease with the U.S. Postal Service which expires in 2020. Under the lease, the City receives annual capital lease payments of \$135,000 with the property to be conveyed to the U.S. Postal Service on April 11, 2020. The City accounts for the lease through its Industrial Park Fund.

The Industrial Park Fund accomplished the initial building renovations by issuing \$1,400,000 of Taxable Public Improvement Revenue Bonds, dated June 20, 2000. See Note 3 for more information regarding the bonds.

The components of the City's investment in the lease at June 30, 2019, are summarized as follows:

Initial investment in lease	\$ 1,423,733
Accumulated amortization	<u>(1,321,316)</u>
Net investment in lease at June 30, 2019	<u>\$ 102,417</u>

Under this lease, the City received \$135,000 in lease payments including interest of \$12,279 during 2019. The interest and the amortization of unearned income of \$2,615 are included in the Industrial Park Fund's operations in the financial statements.

Minimum future rental payments of principal to be received under the lease for the remaining year are as follows:

2020	\$ 102,417
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**Operating Leases:**

**Primary Government**

The City has entered into various operating lease agreements with the State of Tennessee, training and educational organizations, and local manufacturers for the use of space in the City's buildings. The agreements have various expiration dates and renewal options and provided \$668,060 of rental income during 2019. Rental income of \$99,814 was derived through governmental activities while \$568,246 resulted from funds accounted for as business-type activities. Annual rental income under the noncancelable operating leases in effect at June 30, 2019, is as follows:

2020	\$ 184,716
2021	103,211
2022	60,866
2023	45,741
2024	30,741

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Lease Agreements (continued)**

**Operating Leases: (continued)**

**Component Unit**

The Industrial Development Board (IDB) had a 5-year lease agreement with a local manufacturer which expired in 2017. The agreement contained a renewal option for an additional 5-year term. Currently, the lease is on a month-to-month basis. During 2019, the IDB entered into a lease with a manufacturer. The lease expires in 2024 and has escalations during its terms. Rental income received under leases during 2019 was \$126,400. Annual rental income under the noncancelable operating leases in effect at June 30, 2019, is as follows:

2020	\$ 152,000
2021	178,000
2022	192,000
2023	192,000
2024	128,000

**Note 9. Employee Retirement Plans**

**Public Employee Retirement Plan**

**Plan description.** Employees of the City of Dayton, Tennessee are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**Benefits provided.** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 and 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.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Public Employee Retirement Plan (continued)**

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 2<sup>nd</sup> 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	58
Active employees	<u>151</u>
	<u>268</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. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, employer contributions for the City were \$264,762 based on a rate of 3.66 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total pension liability as of June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges for 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expenses, including inflation
Cost of living adjustment	2.25 percent

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Public Employee Retirement Plan (continued)**

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and 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 to 2.50 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	<u>1</u>
		<u>100%</u>

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Public Employee Retirement Plan (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 the City 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2017	\$ 23,859,568	\$ 24,624,468	\$ (764,900)
Changes for the year:			
Service cost	611,747	-	611,747
Interest	1,745,937	-	1,745,937
Differences between expected and actual experience	(654,463)	-	(654,463)
Changes in assumptions	-	-	-
Contributions -			
Employer	-	246,118	(246,118)
Employees	-	349,674	(349,674)
Net investment income	-	2,035,779	(2,035,779)
Benefit payments including refunds of employee contributions	(778,841)	(778,841)	-
Administrative expense	-	(14,454)	14,454
Net changes	924,380	1,838,276	(913,896)
Balance at June 30, 2018	\$ 24,783,948	\$ 26,462,744	\$ (1,678,796)

**Sensitivity of the net pension liability (asset) to changes in the discount rate.** The following presents the net pension liability (asset) of the City 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%)
City's net pension liability (asset)	\$ 1,565,303	\$ (1,678,796)	\$(4,376,348)

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Public Employee Retirement Plan (continued)**

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

*Pension expense.* For the year ended June 30, 2019, the City recognized pension expense of \$ 51,929.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,909	\$ 784,507
Net difference between projected and actual earnings on pension plan investments	-	113,902
Changes in assumptions	444,343	-
Contributions subsequent to the measurement date of June 30, 2018	<u>264,762</u>	<u>-</u>
Total	<u>\$ 766,014</u>	<u>\$ 898,409</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2018, 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:	
2020	\$ 128,161
2021	(55,445)
2022	(264,698)
2023	(99,979)
2024	(11,707)
Thereafter	(93,489)

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



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Public Employee Retirement Plan (continued)**

**Teacher Legacy Pension Plan**

**Plan description.** Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of City of Dayton - Department of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. 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 all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**Benefits provided.** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 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.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Legacy Pension Plan (continued)**

**Contributions.** Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the City of Dayton for the year ended June 30, 2019, to the Teacher Legacy Pension Plan were \$289,039 which is 10.42 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension assets.** At June 30, 2019, the City of Dayton reported an asset of \$ 264,799 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City of Dayton's proportion of the net pension asset was based on the City of Dayton's employer contributions to the pension plan relative to the contributions of all participating LEAs. At the June 30, 2018, measurement date, the City of Dayton's proportion was 0.07525 percent. The proportion measured as of June 30, 2017, was 0.076539 percent.

**Pension expense.** For the year ended June 30, 2019, the City recognized pension expense (negative pension expense) of (\$71,355).

**Deferred outflows of resources and deferred inflows of resources.** For the year ended June 30, 2019, City of Dayton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,525	\$ 357,235
Net difference between projected and actual earnings on pension plan investments	-	57,631
Changes in assumptions	156,392	-
Changes in proportion of net pension liability (asset)	25,499	10,123
Contributions subsequent to the measurement date of June 30, 2018	<u>289,039</u>	<u>-</u>
Total	<u>\$ 524,455</u>	<u>\$ 424,989</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Legacy Pension Plan (continued)**

The City of Dayton - Department of Education employer contributions of \$289,039, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 59,032
2021	(80,119)
2022	(143,127)
2023	(25,359)

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

**Actuarial assumptions.** The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018, 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.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Legacy Pension Plan (continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation to 2.50 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	<u>1</u>
		<u>100%</u>

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

**Discount rate.** The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Legacy Pension Plan (continued)**

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Dayton - Department of Education's proportionate share of the net pension liability (asset)	\$ 2,041,238	\$ (264,799)	\$ (2,172,723)

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

**Teacher Retirement Plan**

***Plan description.*** Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of City of Dayton - Department of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

***Benefits provided.*** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Retirement Plan (continued)**

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 July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**Contributions.** Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. The Actuarially determined contribution rate of 4 percent has been split between the Teacher Retirement Plan and TCRS Stabilization Reserve Trust. The TCRS Board of Trustees placed the actuarially determined contribution rate of 1.94 percent of covered payroll into the Teacher Retirement Plan and 2.06 percent of covered payroll into the TCRS Stabilization Reserve Trust. By law, employer contributions for the Teacher Retirement Plan and TCRS Stabilization Reserve Trust are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2019, to the Teacher Retirement Plan were \$22,720, which is 4.0 percent of covered payroll. Of this amount \$8,523 was for the TCRS Stabilization Trust Plan. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension asset.** At June 30, 2019, City of Dayton reported an asset of \$ 27,022 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. City of Dayton's proportion of the net pension asset was based on City of Dayton's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, City of Dayton's proportion was 0.059582 percent. The proportionate measured as of June 30, 2017 was 0.072094 percent.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Retirement Plan (continued)**

**Pension expense.** For the year ended June 30, 2019, City of Dayton recognized pension expense of \$9,530.

**Deferred outflows of resources and deferred inflows of resources.** For the year ended June 30, 2019, the City of Dayton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,530	\$ 1,076
Net difference between projected and actual earnings on pension plan investments	-	1,526
Changes in assumptions	1,275	-
Changes in proportionate share of net pension asset liability/asset	3,743	238
LEA's contributions subsequent to the measurement date of June 30, 2018	<u>22,720</u>	<u>-</u>
Total	<u>\$ 29,268</u>	<u>\$ 2,840</u>

The City of Dayton's employer contributions of \$22,720 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2020.

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

Year Ended June 30:	
2020	\$ 104
2021	56
2022	(162)
2023	237
2024	440
Thereafter	3,033

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Teacher Retirement Plan (continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and 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 to 2.50 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
		<u>100%</u>

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



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City of Dayton's proportionate share of the net pension liability (asset)	\$ 4,178	\$ (27,022)	\$ (50,009)

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

**TCRS Stabilization Trust**

**Legal provisions.** The City of Dayton is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The City has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the City.

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**TCRS Stabilization Trust (continued)**

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

Investments are reported at fair value or amortized cost which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of securities. Securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**TCRS Stabilization Trust (continued)**

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

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

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

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute, or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type. Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**TCRS Stabilization Trust (continued)**

At June 30, 2019, the City had the following investments held by the trust on its behalf:

Investment	Target Allocation	Fair Value
Investments at fair value:		
U.S. equity	31 %	\$ 2,782
Developed market international equity	14	1,257
Emerging market international equity	4	359
U.S. fixed income	20	1,795
Real estate	10	898
Short-term securities	1	90
Investments at amortized cost using the NAV:		
Private equity and strategic lending	20	1,795
Total		<u>\$ 8,976</u>

  

Investment by Fair Value Level	Total 6/30/19	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. equity	\$ 2,782	\$ 2,782	\$ -	\$ -	\$ -
Developed market international equity	1,257	1,257	-	-	-
Emerging market international equity	359	359	-	-	-
U.S. fixed income	1,795	-	1,795	-	-
Real estate	898	-	-	898	-
Short-term securities	90	-	90	-	-
Private equity and strategic lending	<u>1,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795</u>
Total	<u>\$ 8,976</u>	<u>\$ 4,398</u>	<u>\$ 1,885</u>	<u>\$ 898</u>	<u>\$ 1,795</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**TCRS Stabilization Trust (continued)**

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

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

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

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The City places no limit on the amount that may be invested in one issuer.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the City to pay retirement benefits of the City employees.

For further information concerning the City's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advancedsearch/disclaimer/2019/ag18092.pdf>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Aggregation of all pension plans**

The following is an aggregation of deferred outflows of resources and deferred inflows of resources related to the City's various pension plans:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 111,964	\$ 1,142,818
Net difference between projected and actual earnings on pension plan investments	-	173,059
Changes in assumptions	602,010	-
Changes in proportion of net position liability/asset	29,242	10,361
Contributions subsequent to the measurement date	<u>576,521</u>	<u>-</u>
Total	<u>\$ 1,319,737</u>	<u>\$ 1,326,238</u>

Deferred outflows of resources related to contributions to pension plans subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources from all pension plans will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 187,297
2021	(135,508)
2022	(407,987)
2023	(125,101)
2024	(11,267)
Thereafter	(90,456)

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Employee Retirement Plans (continued)**

**Aggregation of all pension plans (continued)**

The retirement plan resulted in the following net pension assets:

Public Employee Retirement Plan	\$ 1,678,796
Teacher Legacy Pension Plan	264,799
Teacher Retirement Plan	<u>27,022</u>
	<u>\$ 1,970,617</u>

Pension expense (negative pension expense) related to all plans were as follows:

Public Employee Retirement Plan	\$ 51,929
Teacher Legacy Pension Plan	(71,355)
Teacher Retirement Plan	<u>9,530</u>
	<u>\$ (9,896)</u>

**Defined Contribution Plan**

As a component of the Teacher Retirement Plan, a defined contribution plan has been established for all teachers hired on or after July 1, 2014. The City of Dayton is required to contribute 5 percent of salaries, while participants may contribute up to 2 percent of salary. Participants are immediately vested. The Plan is established with Great-West Financial as Plan Administrators. The City contributed \$ 25,559 to the Plan in 2019.

**Note 10. Other Postemployment Benefits (OPEB)**

**Local Government OPEB Plan**

**Plan Description.** Employees of City of Dayton, who were hired prior to July 1, 2015, are provided with pre-retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided.** The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Local Government OPEB Plan (continued)**

TCA 8-27-701 established and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City does not directly subsidize pre-65 retiree coverage. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms.** At July 1, 2018, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>114</u>
	<u>116</u>

An insurance committee, created in accordance with TCA 8-27-701, established the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2019, the City paid \$14,021 to the LGOP for OPEB benefits as they came due.

**Total OPEB Liability**

**Actuarial assumptions.** The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges for 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75 percent for 2019, decreasing annually over a 32 year period to an ultimate rate of 3.81 percent
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Local Government OPEB Plan (continued)**

**Actuarial assumption (continued)**

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Morality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post retirement tables are Blue Collar and adjusted with a 2 percent load for males and a - 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**Changes in the total OPEB liability**

Balance at June 30, 2017	\$ 401,371
Changes for the year:	
Service cost	28,174
Interest	15,231
Changes of benefit terms	-
Differences between expected and actual experience	(1,659)
Change in assumptions	42,351
Benefit payments	<u>(3,394)</u>
Net changes	<u>80,703</u>
Balance at June 30, 2018	\$ <u>482,074</u>

**Changes in assumptions.** The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near term health trend rates.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Local Government OPEB Plan (continued)**

***Sensitivity of total OPEB liability to changes in the discount rate.*** The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate.

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 519,043	\$ 482,074	\$ 446,722

***Sensitivity of total OPEB liability to changes in the healthcare cost trend rate.*** The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.75 percent to 2.81 percent) or 1 percentage point higher (7.75 percent to 4.81 percent) than the current healthcare cost trend rate.

	1% Decrease (5.75% decreasing to 2.81%)	Healthcare Cost Trend Rate (6.75% decreasing to 3.81%)	1% Increase (7.75% decreasing to 4.81%)
Total OPEB liability	\$ 426,424	\$ 482,074	\$ 548,003

***OPEB expense.*** For the year ended June 30, 2019, the City recognized OPEB expense of \$45,618.

***Deferred outflows of resources and deferred inflows of resources.*** For the year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,483
Changes in assumptions	37,846	16,295
Employer payments subsequent to the measurement date	14,021	-
Total	<u>\$ 51,867</u>	<u>\$ 17,778</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Local Government OPEB Plan (continued)**

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

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

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

Year Ended June 30:	
2020	\$ 2,213
2021	2,213
2022	2,213
2023	2,213
2024	2,213
Thereafter	9,003

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

**CITY OF DAYTON, TENNESSEE**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan**

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

**Benefits provided.** The City offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City does not directly subsidize pre-65 retiree coverage. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of services. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms.** At July 1, 2018, the following employees were covered by the benefit terms of the TGOP:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>78</u>
	<u>84</u>

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

An insurance committee, created in accordance with TCA 8-27-301, established the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the City paid \$26,605 to the TGOP for OPEB benefits as they came due.

**Actuarial assumptions.** The collective total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Morality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post retirement tables are Blue Collar and adjusted with a 2 percent load for males and a minus 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**Changes in the total OPEB liability**

Balance at June 30, 2017	\$ 915,433
Changes for the year:	
Service cost	50,593
Interest	33,237
Changes of benefit terms	-
Differences between expected and actual experience	(220,053)
Change in assumptions	25,596
Benefit payments	<u>(64,800)</u>
Net changes	<u>(175,427)</u>
Balance at June 30, 2018	<u>\$ 740,006</u>
Nonemployer contributing entity proportionate share of collective total OPEB liability	\$ 242,718
Employer's proportionate share of the collective total OPEB liability	\$ 497,288
Employer's proportion of the collective total OPEB liability	67.20%

The City has a special funding situation related to benefits paid by the State for its eligible retired employees participation in the TGOP. The City's proportionate share of the collective total OPEB liability was based on projection of the employers long term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. There was no change in the City's proportion from the prior measurement date. The City recognized \$18,583 in revenue for subsidies provided by nonemployer contributing entities for benefit paid by the TGOP for City retirees.

**Changes in assumptions.** The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

***Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate.*** The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate.

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Proportionate share of the collective total OPEB liability	\$ 535,031	\$ 497,288	\$ 461,630

***Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate.*** The following presents the total OPEB liability related to the TGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.75 percent to 2.85 percent) or 1 percentage point higher (7.75 percent to 4.85 percent) than the current healthcare cost trend rate:

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rate (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Proportionate share of the collective total OPEB liability	\$ 438,495	\$ 497,288	\$ 567,594

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

***OPEB expense.*** For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$61,578.

***Deferred outflows of resources and deferred inflows of resources.*** For the fiscal year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 134,185
Changes in assumptions	15,608	23,972
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due	15,814	-
Employer payments subsequent to the measurement date	<u>26,605</u>	<u>-</u>
Total	<u>\$ 58,027</u>	<u>\$ 158,157</u>

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

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

Year Ended June 30:	
2020	\$ (13,339)
2021	(13,339)
2022	(13,339)
2023	(13,339)
2024	(13,339)
Thereafter	(60,040)

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

**Tennessee OPEB Plan**

**Plan Description.** Employees of City of Dayton – Department of Education, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental agencies. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.



**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan (continued)**

**Benefits provided.** The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached age 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The City does not directly subsidize post-65 retiree coverage. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms.** At July 1, 2018, the following employees were covered by the benefit terms of the TNP:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>53</u>
	<u>80</u>

In accordance with TCA 8-27-209, the state insurance committees established by TCA's 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the City did not make any payments to the TNP for OPEB benefits as they came due.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan (continued)**

**Actuarial assumptions.** The collective total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges for 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Morality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post retirement tables are Blue Collar and adjusted with a 2 percent load for males and a minus 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**Changes in the collective total OPEB liability are as follows:**

Balance at June 30, 2017	<u>\$ 221,785</u>
Changes for the year:	
Service cost	3,363
Interest	7,823
Changes of benefit terms	-
Differences between expected and actual experience	(16,371)
Change in assumptions	(1,543)
Benefit payments	<u>(10,793)</u>
Net changes	<u>(17,521)</u>
Balance at June 30, 2018	<u>\$ 204,264</u>

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan (continued)**

Nonemployer contributing entity proportionate share of the collective total OPEB liability	\$ 204,264
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0%

The City has a special funding situation related to benefits paid by the State for its eligible retired employees participation in the TNP. The City's proportionate share of the collective total OPEB liability was based on a projection of the employers long term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The City's proportionate share of 0 percent did not change from the prior measurement date. The City recognized \$6,831 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the City's retired employees.

**Changes in assumptions.** The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability.

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

**OPEB expense.** For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$6,831.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Aggregation of all OPEB Plans**

The following is an aggregation of deferred outflows of resources and deferred inflows of resources related to the City's various OPEB plans:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 135,668
Changes in assumptions	53,454	40,267
Changes in proportion and difference between amounts amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due	15,814	-
Employer payments subsequent to the measurement date	<u>40,626</u>	<u>-</u>
Total	<u>\$ 109,894</u>	<u>\$ 175,935</u>

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

Year ended June 30:	
2020	\$ (11,126)
2021	(11,126)
2022	(11,126)
2023	(11,126)
2024	(11,126)
Thereafter	(51,037)

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

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits (OPEB) (continued)**

**Aggregation of all OPEB Plans (continued)**

The OPEB plans resulted in the following net OPEB liability:

Local Government OPEB Plan	\$ 482,074
Teacher Group OPEB Plan	497,288
Tennessee OPEB Plan	<u>-</u>
	<u>\$ 979,362</u>

OPEB expense related to all plans were as follows:

Local Government OPEB Plan	\$ 45,618
Teacher Group OPEB Plan	61,578
Tennessee OPEB Plan	<u>6,831</u>
	<u>\$ 114,027</u>

In addition, City's Teacher Group OPEB Plan and Tennessee OPEB Plan recognized \$18,583 and \$6,831 in revenue, respectively.

**Note 11. On-Behalf Payments**

The State of Tennessee makes on-behalf payments to the State's Medicare Supplement Plan and the Teacher Group Plan for teachers of City of Dayton – Department of Education. GASB Statement No. 24 requires that on-behalf payments be recognized in the City's financial statements. During the year ended June 30, 2019, the State of Tennessee made contributions to healthcare plans on behalf of the City as follows:

<u>Plan</u>	<u>Amount</u>
Medicare Supplement Plan	\$ 10,082
Teacher Group Plan	14,891

These amounts were recognized as revenue and expenditure/expense in the City's Department of Education General Purpose Fund and in Governmental Activities on the government-wide financial statements. For more information regarding the above mentioned plans, see Note 10.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 12. Operating Restrictions**

The Electric Department has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided for in the contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenue, or property to other operations of the municipality and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations. In addition, the utility will not make payments of more than its fair share of amounts equivalent to property taxes or make payments greater than standardized or market prices for property or services from other departments of the municipality.

**Note 13. Risk Management and Contingencies**

The City has received several federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditures disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage in the current year or the three prior years.

**Note 14. City and Component Unit Activity with Nokian Tyres U.S. Operations, LLC**

During 2018, Nokian Tyres U.S. Operations, LLC (Nokian), announced its decision to build a tire production facility in Dayton, Tennessee. The announcement was the culmination of extensive economic development efforts on the part of the City, the Industrial Development Board (IDB), a component unit of the City, the State of Tennessee, and Rhea County, Tennessee. These parties entered into a Project Agreement for site acquisition and development in August 2017 that details the various elements of responsibility and funding. At June 30, 2019, Nokian was in the process of building the tire production facility.

The City's and IDB's role in the Nokian facility is reflected in the accompanying financial statements in the following areas:

-The City's Industrial Park Fund and General Fund acquired property prior to 2018 for site development. The City deeded this property to IDB and at June 30, 2019, the Industrial Park Fund and the General Fund reflect receivables of \$697,111 and \$2,106,447, respectively, from the IDB for these properties.

**CITY OF DAYTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. City and Component Unit Activity with Nokian Tyres U.S. Operations, LLC (continued)**

-IDB entered into a \$28,424,000 grant agreement with the Tennessee Department of Economic and Community Development for plant infrastructure, site development, equipment, facility construction, and all required related work. At June 30, 2019, grant revenue of \$10,718,302 was recognized for total grant revenue of \$24,544,0523 on this project. At June 30, 2019, IDB held cash restricted for construction of \$733,229.

-IDB signed a lease agreement with Nokian in December 2018 for real property of approximately 220 acres where the project is being built. The lease expires on December 31, 2051. In consideration of the lease, Nokian has entered a PILOT agreement requiring payments after a forgiveness period.