

NEW ISSUES
Book-Entry-Only

Rating: S&P: “AA-”

PRELIMINARY OFFICIAL STATEMENT

\$3,870,000*

CITY OF UNION CITY, TENNESSEE

**\$1,885,000* General Obligation Refunding Bonds, Series 2020A
(Bank Qualified)**

OFFERED FOR SALE AT
11:15 A.M. E. D. T. / 10:15 A.M. C.D.T.
Monday, July 27, 2020

**\$1,985,000* General Obligation Bonds, Series 2020B
(Federally Taxable)**

OFFERED FOR SALE AT
11:45 A.M. E. D. T. / 10:45 A.M. C.D.T.
Monday, July 27, 2020

Through the Facilities of *PARITY*[®]
and at the offices of
Cumberland Securities Company, Inc.

Cumberland Securities Company, Inc.
Municipal Advisor

July 17, 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 JULY 17, 2020

NEW ISSUES
Book-Entry-Only

Rating: S&P: "AA-"
(See "MISCELLANEOUS-Rating")

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

\$3,870,000*

CITY OF UNION CITY, TENNESSEE

\$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified)

\$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable)

Dated: Date of Delivery (assume August 20, 2020)

Due: June 1 (as indicated below)

The \$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the "Series 2020A Bonds") and the \$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable) (the "Series 2020B Bonds") (the Series 2020A Bonds and Series 2020B Bonds are collectively referred to as the "Bonds") shall be issued by the City of Union City, Tennessee (the "City", "Municipality", or "Issuer") as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. 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 City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2028 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2027.

<u>Due</u> <u>(June 1)</u>	<u>2020A</u> <u>Amount*</u>	<u>Interest</u>		<u>CUSIPs**</u>	<u>Due</u> <u>(June 1)</u>	<u>2020B</u> <u>Amount*</u>	<u>Interest</u>		<u>CUSIPs**</u>
		<u>Rate</u>	<u>Yield</u>				<u>Rate</u>	<u>Yield</u>	
2021	\$ 265,000				2021	\$ 120,000			
2022	260,000				2022	120,000			
2023	250,000				2023	120,000			
2024	215,000				2024	120,000			
2025	225,000				2025	255,000			
2026	225,000				2026	260,000			
2027	220,000				2027	255,000			
2028	225,000				2028	250,000			
					2029	245,000			
					2030	240,000			

This cover page contains certain information for quick reference only. It is not a summary of these issues. 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 by the City, 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 by James M. Glasgow, Jr., Esq., counsel to the City. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about August __, 2020.

Cumberland Securities Company, Inc.

Municipal Advisor

July __, 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 (as defined herein), 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 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 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 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 Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

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

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

CITY OF UNION CITY, TENNESSEE

COUNCILMEMBERS

Terry Hailey, Mayor

Randy Barnes, Mayor Pro-Term

Jim Douglas

Dianne Eskew

Katie Keathley

Jim Rippy

Frank Tucker

CITY OFFICIALS

Kathy Dillon
City Manager

Tracy Gore
City Clerk

James M. Glasgow, Jr.
City Attorney

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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THE CITY OF UNION CITY, TENNESSEE**

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*.

Issuer	City of Union City, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	The \$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the “Series 2020A Bonds”) and the \$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable) (the “Series 2020B Bonds”) (the Series 2020A Bonds and Series 2020B Bonds are collectively referred to as the “Bonds”) of the City, dated the date of issuance (assume August 20, 2020). The Series 2020A Bonds mature each June 1 beginning June 1, 2021 through June 1, 2028, inclusive. The Series 2020B Bonds mature each June 1 beginning June 1, 2021 through June 1, 2030, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	The Bonds are payable from unlimited <i>ad valorem</i> taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of providing funds for (i) refinancing, in whole or in part, certain Outstanding Bonds of the City, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the issuance of the Bonds.
Optional Redemption	The Bonds maturing June 1, 2028 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2027. See the section entitled “SECURITIES OFFERED – Optional Redemption”.
Tax Matters.....	<p>In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Series 2020A 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.</p> <p>In the opinion of Bond Counsel, interest on the Series 2020B Bonds will be included in gross income for federal income tax purposes.</p> <p>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.)</p>
Bank Qualification.....	The Series 2020A 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 - Series 2020A” for additional information.
Rating.....	S&P: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the “Registration Agent”).

*Preliminary, subject to change.

Bond CounselBass, Berry & Sims PLC, Knoxville, Tennessee.

Municipal Advisor.....Cumberland Securities Company, Inc. See the section entitled “MISCELLANEOUS - Municipal Advisor; Related Parities; Others”, herein.

Underwriter....._____.

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”.

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

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

Other Information.....The information in the *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 for the omission of certain pricing and other information. For more information concerning the City, or the *Preliminary Official Statement*, contact Mr. Terry Hailey, Mayor, 408 South Depot Street, Union City, Tennessee 38281, Telephone: 731-885-1341; 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 - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Fund Balance	\$ 4,753,900	\$ 5,112,776	\$ 5,934,289	\$ 6,142,095	\$ 9,155,694
Revenues	10,853,840	11,248,106	11,677,290	11,772,155	12,759,772
Expenditures	9,246,748	9,338,436	10,270,791	12,718,900	12,707,130
Excess (Deficiency) of Revenues Over Expenditures	1,607,362	1,909,670	1,406,499	(946,745)	52,642
Transfers In	532,864	564,426	579,257	578,272	279,888
Transfers Out	(1,781,350)	(1,779,800)	(1,777,950)	(1,779,788)	(1,780,088)
Ending Fund Balance	<u>\$5,112,776</u>	<u>\$5,934,289</u>	<u>\$6,142,095</u>	<u>\$9,155,694</u>	<u>\$7,708,136</u>

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

SUMMARY NOTICE OF SALE

\$3,870,000*

CITY OF UNION CITY, TENNESSEE

\$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified)

\$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable)

NOTICE IS HEREBY GIVEN that the Mayor of the City of Union City, Tennessee (the “City”) will receive electronic or written sealed bids until **11:15 a.m. E.D.T. / 10:15 a.m. C.D.T.** on **Monday, July 27, 2020** for the purchase of all, but not less than all, of the City’s \$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the “Series 2020A 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 Series 2020A 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 10:30 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.

NOTICE IS HEREBY GIVEN that the Mayor of the City of Union City, Tennessee (the “City”) will receive electronic or written sealed bids until **11:45 a.m. E.D.T. / 10:45 a.m. C.D.T.** on **Monday, July 27, 2020** for the purchase of all, but not less than all, of the City’s \$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable) (the “Series 2020B Bonds” and collectively with the Series 2020A Bonds, 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 Series 2020B 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 11:15 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 Series 2020A 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 August 20, 2020). The Series 2020A Bonds will mature on June 1 in the years 2021 through 2028, 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, 2027. Bidders must bid not less than one hundred

percent (100%) of par or more than one hundred and twenty-five percent (125%) of par for the Series 2020A Bonds. The approving opinion for the Series 2020A Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum.

The Series 2020B 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 August 20, 2020). The Series 2020B Bonds will mature on June 1 in the years 2021 through 2030, 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, 2027. Bidders must bid not less than one hundred percent (100%) of par or more than one hundred and twenty-five percent (125%) of par for the Series 2020B Bonds. The approving opinion for the Series 2020B Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum.

Unless bids for any series are rejected, the Series 2020A Bonds and Series 2020B Bonds will be awarded by the Mayor of the City on the sale date to the bidders whose bids results in the lowest true interest rate on the Series 2020A Bonds and Series 2020B Bonds, respectively.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met as to the Series 2020A Bonds, the City will require bidders to comply with the “hold-the-offering-price rule” for purposes of determining the issue price for such series of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

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

CITY OF UNION CITY, TENNESSEE
By: Terry Hailey, Mayor

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DETAILED NOTICE OF SALE

\$3,870,000*

CITY OF UNION CITY, TENNESSEE

\$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified)

\$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable)

NOTICE IS HEREBY GIVEN that the Mayor of the City of Union City, Tennessee (the “City”) will receive electronic or written sealed bids until **11:15 a.m. E.D.T. / 10:15 a.m. C.D.T. on Monday, July 27, 2020** for the purchase of all, but not less than all, of the City’s \$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the “Series 2020A 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 Series 2020A 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 10:30 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.

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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, 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.

(The remainder of this page left blank intentionally.)

*Preliminary, subject to change.

The Series 2020A Bonds will mature and be payable on June 1 of each year as follows:

SERIES 2020A	
YEAR	
<u>(June 1)</u>	<u>AMOUNT*</u>
2021	\$ 265,000
2022	260,000
2023	250,000
2024	215,000
2025	225,000
2026	225,000
2027	220,000
2028	225,000

The Series 2020B Bonds will mature and be payable on June 1 of each year as follows:

SERIES 2020B	
YEAR	
<u>(June 1)</u>	<u>AMOUNT*</u>
2021	\$ 120,000
2022	120,000
2023	120,000
2024	120,000
2025	255,000
2026	260,000
2027	255,000
2028	250,000
2029	245,000
2030	240,000

*Preliminary, subject to change.

Bank Qualification. The Series 2020A 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 such series 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 for each series of the Bonds, 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 a series of 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 corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

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

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

Optional Redemption. The Bonds maturing on June 1, 2028 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2027, 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 each series of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If a successful bidder for a series of the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for such series of the Bonds and in the amount of the maturing principal installment for such series of 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 requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The 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**[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of this Detailed Notice of Sale, this Detailed Notice of Sale shall prevail. An electronic bid made through the facilities of **PARITY**[®] shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the 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**[®]. The use of **PARITY**[®] facilities are at the sole risk of the prospective bidders.

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

In the event of a system malfunction in the electronic bidding process, bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the 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 either series of the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the City to accept or reject "Bids for Bonds".

Unless all bids for a series of the Bonds are rejected, each series of the Bonds will be awarded by the Mayor of the City to the bidder whose bid complies with this notice and results in the lowest true interest rate on such series of the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on such series of the Bonds (compounded semi-annually from the date of such series of the Bonds), produces an amount equal to the purchase price of such series 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 a series of the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded such series of 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. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of either series 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 each series 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 series of the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of series of the Bonds bears to the original par amount of such series of Bonds offered for sale.

The successful bidder for a series of 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. Each successful bidder for a series of Bonds 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 applicable series 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 series of Bonds. If the successful bidder should fail to accept or pay for the series of 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 a series of 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 for such series 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 each series of Bonds shall make a bona fide public offering of such series of the Bonds and shall, within 30 minutes after being notified of the award of such series of the Bonds, advise the City in writing (via facsimile transmission or electronic mail) of the initial public offering prices of such series of the Bonds (the "Initial Reoffering Prices"). The successful bidder for such series 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 of such series 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 bidders to deliver copies of such *Official Statement* in final form (the “Final Official Statement”) to persons to whom such bidders initially sell the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidders 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 bidders to deliver copies of such Final Official Statement to persons to whom such bidders initially sell the Bonds and to certify that the applicable series of 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 for the Series 2020A Bonds shall assist the City in establishing the issue price of the Series 2020A 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 Series 2020A 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 Series 2020A Bonds) will apply to the initial sale of the Series 2020A 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 Series 2020A 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 Series 2020A Bonds to the bidder who submits a firm offer to purchase the series of 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 Series 2020A Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Series 2020A Bonds, the City shall so advise the successful bidder for the Series 2020A Bonds. In such event, the City intends to treat the (i) the first price at which 10% of a maturity of the Series 2020A Bonds (the “10% Test”) is sold to the public as the issue price of the Series 2020A Bonds maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Series 2020A 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 Series 2020A Bonds if any maturities of the 2020A Bonds satisfy the 10% Test as of the date and time of the award of the Series 2020A 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 applies the Hold-the-Offering-Price Rule to the Series 2020A Bonds. Bidders should prepare their bids on the assumption that of the Series 2020 Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Series 2020A Bonds.

- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Series 2020A Bonds, shall deemed to have (i) confirmed that the underwriters have offered or will offer such 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) agreed, on behalf of the underwriters participating in the purchase of such Series 2020A Bonds, that the underwriters will neither offer nor sell unsold Series 2020A Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Series 2020A 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, any successful bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Series 2020A 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 Series 2020A 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 Series 2020A Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the successful bidder of the Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A Bonds of such series 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 Series 2020A Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5th) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The City acknowledges that, in making the representations set forth above, each successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A Bonds.
- g. Sales of any Series 2020A Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2020A 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 a series 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 Series 2020A 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 Series 2020A Bonds to the public);
 3. a purchaser of the Series 2020A 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 Series 2020A Bonds are awarded by the City to the successful bidder.

Issue Price Certificate. The winning bidder of the Series 2020A Bonds will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of the 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 opinions 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 purchasers at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel’s opinions with respect to the Series 2020A Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes and 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 forms of the opinions 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 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 material 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 each successful bidder of such delivery. Delivery will be made in Book-Entry-Only form through the facilities of DTC, 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 bidders 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 such successful bidders and to be dated the date of the sale, to be delivered by the successful bidders to the persons to whom each such bidder and members of its bidding group initially sell the applicable series of Bonds. Acceptance of a bid as to a series of 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**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF UNION CITY, TENNESSEE

By: Terry Hailey
Mayor

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EXHIBIT A

CITY OF UNION CITY, TENNESSEE
[§ _____ **General Obligation Refunding Bonds, Series 2020A (Bank Qualified)**]

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

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Union City, 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 July 27, 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 UNION CITY, TENNESSEE
[§ _____ **General Obligation Refunding Bonds, Series 2020A (Bank Qualified)**]

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 Union City, 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] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the 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 July 27, 2020.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a 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: _____

BID FORM – SERIES 2020A BONDS

(The remainder of this page left blank intentionally.)

The Honorable Terry Hailey, Mayor
 408 South Depot Street
 Union City, Tennessee 38281

July 27, 2020

Dear Mayor Hailey:

For your legally issued, properly executed \$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the "Series 2020A Bonds") of the City of Union City, 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 Series 2020A Bonds shall be dated the date of issuance (assume August 20, 2020) and shall not be callable in accordance with the Detailed Notice of Sale. The Series 2020A Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	Amount*	Rate
2021	\$ 265,000	_____
2022	260,000	_____
2023	250,000	_____
2024	215,000	_____
2025	225,000	_____
2026	225,000	_____
2027	220,000	_____
2028	225,000	_____

We have 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 Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A Bonds on which we have bid.

This bid is a firm offer for the purchase of the Series 2020A 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 Series 2020A Bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal Series 2020A Bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
 City of Union City, Tennessee, this
 27th day of July, 2020.

Respectfully submitted,

 Terry Hailey, Mayor

 Total interest cost from
 August 20, 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.

BID FORM – SERIES 2020B BONDS

The Honorable Terry Hailey, Mayor
 408 South Depot Street
 Union City, Tennessee 38281

July 27, 2020

Dear Mayor Hailey:

For your legally issued, properly executed \$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable) (the “Series 2020B Bonds”) of the City of Union City, 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 Series 2020B Bonds shall be dated the date of issuance (assume August 20, 2020) and shall not be callable in accordance with the Detailed Notice of Sale. The Series 2020B Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$ 120,000	___	2026	\$ 260,000	___
2022	120,000	___	2027	255,000	___
2023	120,000	___	2028	250,000	___
2024	120,000	___	2029	245,000	___
2025	255,000	___	2030	240,000	___

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

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

It is our understanding that the Series 2020B Bonds are offered for sale as subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Series 2020B 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 Series 2020B 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 Series 2020B Bonds on which we have bid.

This bid is a firm offer for the purchase of the Series 2020B 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 Series 2020B Bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal Series 2020B Bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
 City of Union City, Tennessee, this
 27th day of July, 2020.

Respectfully submitted,

 Terry Hailey, Mayor

 Total interest cost from
 August 20, 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.

\$3,870,000*

CITY OF UNION CITY, TENNESSEE

\$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified)

\$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable)

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 the City of Union City, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$1,885,000* General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the “Series 2020A Bonds”) and the \$1,985,000* General Obligation Bonds, Series 2020B (Federally Taxable) (the “Series 2020B Bonds”) (the Series 2020A Bonds and Series 2020B Bonds are collectively referred to as the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions (the “Resolution”) adopted by the City Council on June 16, 2020.

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

REFUNDING PLAN

With the Series 2020A Bonds, the City is proposing to refund the General Obligation Bonds, Series 2013A, dated June 28, 2013, maturing June 1, 2021 and thereafter (the “Series 2013A Bonds”). The Series 2013A Bonds will be called for redemption on August 20, 2020.

With the Series 2020B Bonds, the City is proposing to refund the General Obligation Bonds, Series 2013B (Federally Taxable), dated June 28, 2013, maturing June 1, 2021 and thereafter (the “Series 2013B Bonds” and collectively with the Series 2013A Bonds, the “Outstanding Bonds”). The Series 2020B Bonds will be called for redemption on August 20, 2020.

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 of Local Government Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume August 20, 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 registered book-entry-only form only and 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 Clerk. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

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

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

The Bonds will not be obligations of the State of Tennessee.

OPTIONAL REDEMPTION

The Bonds maturing June 1, 2028 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2027 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-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

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

SERIES 2020A 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 Series 2020A Bonds, Bond Counsel has determined that the Series 2020A Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

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. DTC, as securities depository for the Bonds or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. 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>
-----------------	----------------------------	---

*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) 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 effect 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.

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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 described below. 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 as defined below is not required.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 affect 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, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

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

DISCHARGE AND SATISFACTION OF BONDS

If the 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 or 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; and if the City shall pay and discharge the indebtedness evidenced by any

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

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

REMEDIES OF BONDHOLDERS

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

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the 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 claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. 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 – SERIES 2020A BONDS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Series 2020A 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 Series 2020A 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 Series 2020A Bonds that the City must continue to meet after the Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A Bonds or affect the market price of the Series 2020A Bonds. See also the section below "CHANGES IN FEDERAL AND STATE LAW".

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 Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A Bonds will be increased. If a bondholder owns one of these Series 2020A Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Series 2020A - 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 Series 2020A Bonds, Bond Counsel has determined that the Series 2020A 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 Series 2020A 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 Series 2020A 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 Series 2020A Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2020A Bonds during the period the Series 2020A 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 Series 2020A 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.

FEDERAL TAX MATTERS – SERIES 2020B BONDS

Disclaimer. Any discussion of the tax issues relating to the Series 2020B Bonds in this *Preliminary Official Statement* was written to support the promotion or marketing of the Series 2020B Bonds. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice with respect to the Series 2020B Bonds based on its particular circumstances from an independent tax advisor.

General. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2020B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2020B Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2020B Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 2020B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, ownership and disposition of the Series 2020B Bonds.

Interest on the Series 2020B Bonds is included from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 2020B Bonds in the initial offering at their stated principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2020B Bonds. In general, interest paid on the Series 2020B Bonds and accrual of original issue discount and market discount, if any, will be treated as ordinary income to an owner of Series 2020B Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2020B Bonds issued with original issue discount (“Discount Series 2020B Bonds”). A Series 2020B Bond will be treated as having original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price at which a substantial amount of the Series 2020B Bonds of the same maturity have first been sold to the public, excluding Bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2020B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount Series 2020B Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount Series 2020B Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 2020B Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Series 2020B Bond for each day during the taxable year in which such holder held such Discount Series 2020B Bond. The daily portion of original issue discount on any Discount Series 2020B Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Series 2020B Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series 2020B Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Series 2020B Bond at the beginning of any accrual period is the sum of the issue price of the Discount Series 2020B Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series 2020B Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable Bond premium or acquisition premium) on the Discount Series 2020B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. Any owner who purchases a Series 2020B Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2020B Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market

discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Series 2020B Bond at a market discount also may be required to defer, until the maturity date of such Series 2020B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2020B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020B Bond for the days during the taxable year on which the owner held the Series 2020B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2020B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. A purchaser who purchases a Series 2020B Bond at a cost greater than its then principal amount (or, in the case of a Series 2020B Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable Series 2020B Bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all Series 2020B Bonds held by the holder on the first day of the taxable year to which the election applies, and to all Series 2020B Bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable Series 2020B Bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable Bond premium that is applied to reduce interest payments. Purchasers of any Series 2020B Bonds who acquire such Series 2020B Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2020B Bonds.

Sale or Redemption of Series 2020B Bonds. A Bondowner's tax basis for a Series 2020B Bond is the price such owner pays for the Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized Series 2020B Bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2020B Bond, measured by the difference between the amount realized and the basis of the Series 2020B Bond as so adjusted, will generally give rise to capital gain or loss if the Series 2020B Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Series 2020B Bonds may result in a deemed sale or exchange of such Series 2020B Bonds under certain circumstances; owners of such Series 2020B Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

Backup Withholding. A Bond owner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding obligation is 28%, but the rate may change in the future) with respect to interest or original issue discount on the Series 2020B Bonds. This withholding generally applies if the owner of a Series 2020B Bond (a) fails to furnish the Registration Agent or other payor with its taxpayer identification number, (b) furnishes the Registration Agent or other payor an incorrect taxpayer identification number, (c) fails to report properly interest, dividends or other

“reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Registration Agent or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bond owners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2020B Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount paid as backup withholding would be credited against the Bondholder’s U.S. federal income tax liability, provided that the requisite information is timely provided to the IRS. The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2020B Bonds will be reported to the Bond owners and to the Internal Revenue Service.

Nonresident Borrowers. Under the Code, interest and original issue discount income with respect to Series 2020B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the City (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2020B Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident Bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2020B Bonds.

The opinions of Bond Counsel are not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 2020B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 2020B Bonds. The opinions of Bond Counsel are provided to support the promotion or marketing of the Series 2020B Bonds. In all events, all investors should consult their own tax advisors in determining the Federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Series 2020B Bonds.

Prospective Bondholders should consult their own tax advisors regarding the foregoing matters.

State Taxes

Under existing law, the Series 2020B Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2020B Bonds during the period the Series 2020B 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 Series 2020B 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 Congressional 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 Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the 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 of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on July 27, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 17, 2020.

The successful bidder for the Series 2020A 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.

The successful bidder for the Series 2020B 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 affiliated 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”) 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 Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the 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. 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.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

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.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate (the "Disclosure Certificate") under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City and the Electric System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2020 (the "Annual Reports"), 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 Reports (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 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 Reports 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 due to changes in the ratings of various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, 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, and the audited financial statements shall be filed when available. The Annual Report shall also include an update to the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bond indebtedness as of the end of such fiscal year as shown on page B-8;
2. The indebtedness and debt ratios as the end of such fiscal year, together with information about the property tax base as shown on pages B-9 and B-10;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-11;
4. Information about the Bonded Debt Service Requirements – Water and Sewer System Supported Debt as of the end of such fiscal year as shown on page B-12;

5. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-13;
6. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances – General Fund for the fiscal year as shown on page B-14;
7. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the estimated actual value of all taxable property for such year as shown on page B-20; and
8. 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-20; and
9. The ten largest tax payers as shown on page B-21.

Any or all of the items listed 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 each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an *Official Statement*, in final form, it will be available from the MSRB. 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.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer’s finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer’s finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year. For the current fiscal year, the Issuer’s largest source of revenues is property tax revenues. Property tax revenues are due each year on October 1st and are delinquent on the

last day of February of the following year, so all tax year 2019 taxes were required to be paid without any penalty by February 29, 2020. The Issuer has already collected in excess of 93% 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. Such tax revenues are expected to comprise approximately 28% 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 decreased 2.49% from the prior March and for April 2020 decreased 0.74% from the previous April and for May 2020 decreased 5.09% from the previous May. 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 .02% 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 1% decline in revenues. This projected decline in revenues is primarily due to the effect of the COVID-19 outbreak. This decline includes a projected 0.95% 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 \$1.6 million in reserves, which is approximately 12% of the Issuer's general fund budget. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

Various types of information regarding employment and income trends within the Issuer and Obion 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 the *Preliminary Official Statement* and *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 the *Preliminary Official Statement* and *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 the *Preliminary Official Statement* and *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 of the U.S. Securities and Exchange Commission except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF ISSUER

On behalf of the 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

FORM OF LEGAL OPINIONS

**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 Union City, Tennessee (the "Issuer") of the \$_____ General Obligation Refunding Bonds, Series 2020A (Bank Qualified) (the "Series 2020A Bonds") and \$_____ General Obligation Bonds, Series 2020B (Federally Taxable) (the "Series 2020B Bonds," and together with the Series 2020A Bonds, 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.

4. Interest on the Series 2020A 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 Series 2020A 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 Series 2020A Bonds to be so included in gross income retroactive to the date of issuance of the Series 2020A Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 7 below, we express no opinion regarding other federal tax consequences arising with respect to the Series 2020A Bonds.

5. Interest on the Series 2020B Bonds is not excludable from gross income for federal tax purposes. Except as set forth in this Paragraph 5, we express no opinion regarding other federal tax consequences arising with respect to the Series 2020B Bonds.

6. 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.

7. The Series 2020A 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,

28671698.1

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Union City (the “City”) is the county seat of Obion County (the “County”). It is located in the northwest corner of Tennessee, bordering the State of Kentucky to the north, Lake County to the west, Dyer and Gibson Counties to the south and Weakley County to the east. The County is approximately 50 miles from Jackson and 125 miles north of Memphis. The other incorporated city of the County is South Fulton.

GENERAL

Union City was designated a Micropolitan Statistical Area (the “mSA”) that includes Obion County in Tennessee and Fulton County in Kentucky. An mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents.

Obion County is also part of the Martin-Union City, KY-TN Combined Statistical Area (the “CSA”) of northwest Tennessee and southwest Kentucky. The CSA includes Weakley and Obion Counties in Tennessee. The City of Union City is the largest city in the CSA with a population of 10,895 according to the 2010 Census. The 2010 Census reported Obion County with a 31,807 population.

TRANSPORTATION

Obion County is located at the junction of U.S. Highway 45 and 51 from north and south. Tennessee State Highways 3, 5, 21, and 22 run east and west. The Purchase Parkway begins at the Tennessee-Kentucky line ten miles northeast of Union City. The County is within a one-hour drive of four major Interstates (40, 24 & 55), all accessible by four-lane highways. The proposed Interstate 69 from Canada to Mexico has been approved in Congress and will go past Dyersburg and Memphis.

The County is served by the Illinois Central Railroad Company, which operates from Chicago, St. Louis and Cincinnati to Memphis and New Orleans. The railroad extends directly through the George C. Cloys Industrial Park (Union City) and South Fulton Industrial Park. As part of the AMTRAK System, the Illinois Central Railroad Company has two daily passenger trains operating through Fulton, Kentucky, ten miles northeast of Union City.

Everett-Stewart Airport in the County is an 825-acre airfield with a 5,000-foot asphalt runway. Commercial air service is available through Jackson, Tennessee and Paducah, Kentucky, each within 60 miles, and Memphis International airport 110 miles away. Airlines serving these airports include Northwest, United, American, Transworld, US Air, and Delta.

The nearest port is on the Mississippi River is located fifteen miles away in Hickman, Kentucky. The Mississippi River is located 13 miles west of Dyersburg via State Route 20 and I-155; easily accessible to Mississippi River ports at Caruthersville, Missouri, Hickman, Kentucky, and Memphis, Tennessee with barge loading and unloading locally. The Port of Cates Landing on the Mississippi is a natural slackwater port 29 miles northwest of the County in Lake County

that has recently been approved by the U.S. Corps of Engineers. It is a joint project between Lake, Obion and Dyer Counties. It is the only port that is not protected by a levee between Memphis and Illinois since it is above a 100-year-flood plain of the Mississippi. The port became operational in 2013. The Port of Cate Landing has been designated a foreign trade zone.

The 2,320-mile-long Mississippi River is part of the Missouri-Mississippi river system, which is the largest river system in North America. The River borders Lake, Obion, Dyer, Lauderdale, Tipton and Shelby Counties in the state. Channelization of the Mississippi River to a 9-foot minimum navigable depth from its junction in Minnesota to the Gulf of Mexico gives the County the benefits of year round, low cost water transportation. The Lower Mississippi, below St. Louis, is only constrained by levees and directed by numerous wing dams which make it relatively free-flowing compared to the Upper Mississippi which has a series 29 locks and dams.

EDUCATION

The two local school systems in Obion County are the Obion County School System and the Union City School System. The *Obion County School System* has seven schools: five elementary schools, one middle / high school and one senior high school. The fall 2018 enrollment was 3,175 students with 238 teachers. The *Union City School System* has one elementary school, one middle school and one high school. The fall 2018 enrollment was 1,567 with 109 teachers.

Source: Tennessee Department of Education.

The *University of Tennessee at Martin*, located just 10 miles from Union City in neighboring Weakley County, is a four-year school offering Bachelor and Masters degrees, and is part of the University of Tennessee system. The fall of 2018 semester had an enrollment of 7,038 students.

Dyersburg State Community College Obion Center. Dyersburg State Community College is an accredited public comprehensive community college that operates within the governance of the Tennessee Board of Regents. Founded in 1967, Dyersburg State is located on a 100-acre campus in Dyer County, Tennessee and serves the educational needs of a seven-county area of Northwest Tennessee: Lake, Obion, Dyer, Gibson, Lauderdale, Crockett and Tipton Counties. The fall of 2018 semester had an enrollment of 2,981 students. Dyersburg State also offers increased access to education via technology-assisted instruction, distance learning and course offerings at convenient locations in three other campuses in Obion, Gibson and Tipton Counties.

Source: Dyersburg State Community College and TN Higher Education Commission.

The Tennessee College of Applied Technology - Newbern. The Tennessee College of Applied Technology - Newbern (the "TCAT-N") is part of a statewide system of 26 vocational-technical schools. The TCAT-N 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-N serves the northwest region of

the state including Dyer, Lake and Obion Counties. The TCAT-N began operations in 1965, and the main campus is located in Dyer County. Fall 2017 enrollment was 586 students.

Source: Tennessee Technology Center at Newbern and Tennessee Higher Education Commission.

MEDICAL

Baptist Memorial Hospital-Union City is part of the Baptist Memorial Health Care's system. The 173-bed facility is located in Union City. BMH-Union City has a three-story, 85,000 square foot patient tower, a physician's office building, a Baptist Center for Cancer Care, Baptist Medical Arts Center, Baptist Rehab and a complete fitness and wellness center called HealthQuest. The Outpatient Services Department includes an in-house catheterization laboratory and a Helical CT Scanner. The Outpatient department offers all routine outpatient services. The Obstetrics department includes a LDRP (labor, delivery, recovery and postpartum) Room, C-section Room, as well as private room accommodations. The magnetic resonance imaging (MRI) services is in a fixed, in-house unit. The facility also provides inpatient and outpatient behavioral health services for both adults and adolescents. There are fifteen privately owned hospitals in Baptist Memorial Health Care's system: nine in Tennessee, five in Mississippi and one in Arkansas.

Source: Baptist Memorial Health Care Corporation.

MANUFACTURING AND COMMERCE

Northwest Tennessee Regional Industrial Center. The Northwest Tennessee Regional Industrial Center is located along Highway 51 and bordered by the Canadian National Railroad. The 350-acre site also affords exceptional access to the future Interstate 69. Located a short distance from the Port at Cates Landing and the Kentucky Riverport, the site is well suited for large manufacturing facilities or distribution center projects in need of warehousing/distribution, storage and manufacturing associated with highway, rail and river transportation.

Port of Cates Landing. The Port of Cates Landing is a natural slackwater port four miles northeast of Tiptonville in Lake County (and 29 miles north of Dyersburg) that is a joint project of Lake, Obion and Dyer Counties and the U.S. Corps of Engineers. It is the only port that is not protected by a levee between Memphis and Illinois since it is above a 100-year flood plain of the Mississippi. There is room for an industrial park at the site, and the port is expected to bring 1,700 jobs to the region and retain 2,293 related jobs.

Construction of the 420-acre site began in 2011, and the \$35 million port became operational in 2013. In late 2010 a federal grant of \$13 million was awarded to the port to complete construction and infrastructure. In addition to the construction at the river an upgrade of the local roads and rail lines was also completed. In summer of 2011 Choctaw Transportation, a locally operated business, won the \$9.6 million bid for the construction of the open cell dock construction at the port. Construction was completed in 2012. It is the most expensive and critical piece to the larger project of building the Port.

The Northwest Tennessee Port is an intermodal freight transfer facility and potential industrial park complex designed to exploit the unique geography and existing river, rail and highway transportation assets already in place. The River Port is comprised of a river terminal

and includes a cross-dock, and trans-load facility that is designed to handle, Barge to Rail, Barge to Truck and Truck to Rail. The site of a proposed Industrial Park is comprised of the adjacent 350 acres of flat lands north of the City of Tiptonville. The optimum use envisioned for the Park is one which would exploit the River, and the proximity to I-55, I-24 as well as the planned I-69 corridor, and the main line Canadian National Railway. Being centrally located in Mid-America makes this location even more obvious as a venue for the project. The benefit of the Port to the City of Dyersburg lies in the fact that all southern highway access to the Port and all Railroad access to the Port runs through the City of Dyersburg. The City anticipates a significant economic boost resulting from the commencement of the Port operations.

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

Major Employers in Obion County

<u>Company</u>	<u>Product</u>	<u>Employment</u>
Tyson Foods	Poultry Processing	1,100
Obion County School District	Education	650
Williams Sausage	Food Processing	500
Baptist Memorial Hospital	Healthcare	475
Walmart Inc.	Retail	400
Titan Tire	Rubber/Tire Production	400
Kohler Co.	Plastic Products	270
Union City School System	Education	200
Obion County	Government	156
Lowe's Home Centers	Retail	150
Discovery Park of America		140
City of Union City	Government	125
MVP Brands	Candle Distribution	150
Greenfield Products	Heavy Steel fabrication	95
Griffin Industries Inc.	Animal, Marine Fats & oils	94
MIA Seating	Office Chair Manufacturing	55
Vaughn Electric	Electrical	45
Hanafee Brothers Sawmill	Hardwood Lumber	44

Source: West Tennessee Industrial Association - 2019.

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EMPLOYMENT INFORMATION

Due to the national rise in unemployment due to COVID-19 in the spring of 2020, the rates for the County for April 2020 do not represent the usual unemployment rate. In addition to the current unemployment rates for April 2020, below are also the unemployment rates for March 2020 and April 2019 to show the usual trends.

For the month of April 2020, the unemployment rate for Obion County stood at 10.3% with 10,988 persons employed out of a labor force of 12,248. For the month of April 2020, the unemployment rate for the Union City mSA stood at 10.5% with 12,809 persons employed out of a labor force of 14,310. As of April 2020, the unemployment rate in the Martin-Union City CSA stood at 10.0%, representing 26,064 persons employed out of a workforce of 28,971.

For the month of March 2020, the unemployment rate for Obion County stood at 5.0% with 12,012 persons employed out of a labor force of 12,638. For the month of March 2020, the unemployment rate for the Union City mSA stood at 5.2% with 13,902 persons employed out of a labor force of 14,665. As of March 2020, the unemployment rate in the Martin-Union City CSA stood at 4.4%, representing 29,411 persons employed out of a workforce of 30,771.

For the month of April 2019, the unemployment rate for Obion County stood at 3.7% with 12,040 persons employed out of a labor force of 12,500. For the month of April 2019, the unemployment rate for the Union City mSA stood at 3.9% with 13,950 persons employed out of a labor force of 14,510. As of April 2019, the unemployment rate in the Martin-Union City CSA stood at 3.4%, representing 30,020 persons employed out of a workforce of 31,090.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
Obion County	8.6%	7.0%	5.5%	5.0%	4.9%
Index vs. National	162	143	125	139	126
Index vs. State	154	149	145	143	144
Union City, TN-KY mSA	8.7%	7.1%	5.5%	N/A	N/A
Index vs. National	164	145	125		
Index vs. State	155	151	149		
Martin-Union City CSA	7.6%	6.4%	5.2%	4.6%	4.4%
Index vs. National	143	131	118	128	113
Index vs. State	136	136	137	131	129

Source: Tennessee Department of Labor and Workforce Development.

ECONOMIC DATA

	Per Capita Personal Income				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	\$47,058	\$48,978	\$49,870	\$51,885	\$54,446
Tennessee	\$40,801	\$42,593	\$43,726	\$44,950	\$46,900
Obion County	\$36,817	\$37,523	\$37,747	\$39,042	\$40,666
Index vs. National	78	77	76	75	75
Index vs. State	90	88	86	87	87
Union City, TN-KY mSA	\$36,817	\$37,523	\$37,747	\$39,042	\$40,666
Index vs. National	78	77	76	75	75
Index vs. State	90	88	86	87	87
Union City-Martin CSA	\$35,240	\$35,742	\$36,239	\$37,528	\$38,908
Index vs. National	75	73	73	72	71
Index vs. State	86	84	83	83	83

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Obion County</u>	<u>Union City</u>
Median Value Owner Occupied Housing	\$204,900	\$158,600	\$89,200	\$93,800
% High School Graduates or Higher Persons 25 Years Old and Older	87.7%	87.0%	83.4%	83.7%
% Persons with Income Below Poverty Level	11.8%	15.3%	17.7%	31.8%
Median Household Income	\$60,293	\$50,972	\$39,866	\$33,461

Source: U.S. Census Bureau State & County QuickFacts - 2018.

RECREATION

Discovery Park of America. The Discovery Park of America, located in Union City, is the \$100 million dollar tourist and educational attraction that opened in 2013. Discovery Park was founded by local residents Robert and Jenny Kirkland. The attraction is expected to be a major boost for the local economy and tourism by providing an attraction that has been described as “Smithsonian-like” and offering experiences normally found in large metropolitan cities.

The 50-acre complex boasts an entertaining ‘grounds-and-garden’ experience, as well as an iconic 100,000 square-foot Discovery Center featuring ten learning galleries. Freedom Square, The Chapel, The Depot, The Settlement, The Barn and Mill Ridge, four gardens, a shrub lined maze and the grand pavilion sprinkle the Discovery Park grounds. Inside Discovery Center, the giant human slide and the earthquake simulator encourage active learning as well. American history and technology exhibits are also displayed, capturing the country’s historical past through interactive and technological visions.

Reelfoot Lake State Park. Reelfoot Lake State Park, located in Lake and Obion Counties, contains about 25,000 acres, 15,000 of which are water. The area is said to be the greatest hunting and fishing preserve in the nation. Park naturalists conduct daily American bald eagles tours in the winter when the birds make their seasonal homes there. In addition to the bald eagle, the park harbors almost every other kind of shore and wading bird. At least a thousand pairs of birds, including aningas, cormorants, great blue herons, and common egrets nested in the crowns of cypress trees, some more than 100 feet tall. The park has a museum, an auditorium, a Conference Center, a Visitor Center and a motel. Reelfoot Lake offers a large variety of motels, inns and restaurants. The park also features campgrounds, swimming pools, picnic areas with fishing and boating.

Historians record that Reelfoot Lake was created by a series of severe earthquakes during the bitter cold winter of 1811-12. Landslides swept down the bluffs, large areas of land were uplifted and still larger areas sank. As the land subsided the water poured over in one of the large sunken areas and filled the basin. The large pool gradually grew placid and Reelfoot Lake was born. Practically every variety of fish known from Yellowstone to Pennsylvania was swept into the basin. Cypress trees and willow flourished, but other trees under deep water died. Naked trunks remained and one of the world's greatest natural fish hatcheries resulted.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Interstate 69 Project. The proposed north-south highway corridor between Canada and Mexico will go through Dyer, Obion, Lauderdale, Tipton and Shelby (Memphis) Counties. There are already service-related businesses expressing interest in coming to Dyersburg once the interstate is completed. It is estimated that 63 percent of the truck traffic between Canada and Mexico will go through West Tennessee on I-69. Completion of the corridor in Tennessee could cost in excess of \$800 million. The economic potential of this interstate’s location in West Tennessee is very promising. One study has shown I-69 would produce about \$1.57 for every dollar invested.

Williams Sausage. Williams Sausage in 2019 completed a nearly \$40M expansion and plans to hire 225 new jobs.

Source: Dyersburg State Gazette, Cates Landing River Port and Knoxville News Sentinel.

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CITY OF UNION CITY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	Unaudited Estimated As Of June 30, 2020 (1) OUTSTANDING
\$ 3,150,000	(2) Loan Agreement, Series 2012 (SRF)	2034	Fixed	\$ 2,144,208
3,260,000	(3) General Obligation Bonds, Series 2013A	June 2028	Fixed	1,805,000
2,490,000	General Obligation Bonds, Series 2013B (Taxable)	June 2030	Fixed	1,890,000
5,950,000	(4) General Obligation Bonds, Series 2016	June 2036	Fixed	5,155,000
2,430,000	(5) General Obligation Loan Agreement, Series 2019 (EESI)	2036	Fixed	2,362,528
7,075,000	(6) General Obligation Bonds, Series 2019	June 2039	Fixed	6,415,000
<u>\$ 24,355,000</u>	TOTAL BONDED DEBT			<u>\$ 19,771,736</u>
\$ 1,885,000	General Obligation Refunding Bonds, Series 2020A	June 2028	Fixed	\$ 1,885,000
1,985,000	General Obligation Refunding Bonds, Series 2020B (Federally Tax	June 2030	Fixed	1,985,000
(5,750,000)	Less: Refunded Debt			(3,695,000)
<u>(7,025,000)</u>	Less: Revenue Supported Debt			<u>(5,254,208)</u>
<u>\$ 15,450,000</u>	NET BONDED DEBT			<u>\$ 14,692,528</u>

NOTES:

- (1) The above figures do not include short-term notes or leases outstanding, if any.
- (2) Water and Sewer System Revenue Supported Debt.
- (3) \$1,005,000 of the Series 2013A Bonds are supported by Water and Sewer System Revenue.
- (4) \$2,060,000 of the Series 2016 Bonds are supported by Water and Sewer System Revenue. The previous amount allocated to stormwater was reallocated to the Water and Sewer System
- (5) The EESI Loan is supported by the General Purpose School Fund
- (6) \$3,645,000 of the Series 2019 Bonds are supported by the General Purpose School Fund

CITY OF UNION CITY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. Property tax information is derived from the City and the Annual Tennessee Tax Aggregate Report.

	Fiscal Year Ended June 30				Unaudited 2020	After Issuance 2020
	2015	2016	2017	2018		
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 7,913,000	\$ 7,320,000	\$ 11,325,000	\$ 10,458,000	\$ 9,571,000	\$ 14,562,528
W&S Revenue Supported Bonds	4,516,044	4,250,004	6,346,380	5,972,244	5,591,524	5,209,208
TOTAL TAX SUPPORTED	\$ 12,429,044	\$ 11,570,004	\$ 17,671,380	\$ 16,430,244	\$ 15,162,524	\$ 19,771,736
TOTAL DEBT	\$ 12,429,044	\$ 11,570,004	\$ 17,671,380	\$ 16,430,244	\$ 15,162,524	\$ 19,946,736
Less: Revenue Supported Debt	\$ (4,516,044)	\$ (4,250,004)	\$ (6,346,380)	\$ (5,972,244)	\$ (5,591,524)	\$ (5,209,208)
Less: Debt Service Fund	-	-	-	-	-	-
NET DIRECT DEBT	\$ 7,913,000	\$ 7,320,000	\$ 11,325,000	\$ 10,458,000	\$ 9,571,000	\$ 14,562,528
PROPERTY TAX BASE						
Estimated Actual Value	\$ 655,474,385	\$ 630,237,876	\$ 646,464,736	\$ 656,069,279	\$ 656,414,027	\$ 651,922,999
Appraised Value	\$ 655,474,385	\$ 618,137,309	\$ 634,052,613	\$ 627,989,514	\$ 656,414,027	\$ 651,922,999
Assessed Value	\$ 211,148,508	\$ 196,270,775	\$ 202,046,303	\$ 200,071,905	\$ 210,260,680	\$ 217,377,286

DEBT RATIOS	Fiscal Year Ended June 30					Unaudited 2020	After Issuance 2020
	2015	2016	2017	2018	2019		
TOTAL DEBT to Estimated Actual Value	1.90%	1.84%	2.73%	2.50%	2.31%	3.03%	3.06%
TOTAL DEBT to Appraised Value	1.90%	1.87%	2.79%	2.62%	2.31%	3.03%	3.06%
TOTAL DEBT to Assessed Value	5.89%	5.89%	8.75%	8.21%	7.21%	9.10%	9.18%
NET DIRECT DEBT to Estimated Actual Value	1.21%	1.16%	1.75%	1.59%	1.46%	2.23%	2.25%
NET DIRECT DEBT to Appraised Value	1.21%	1.18%	1.79%	1.67%	1.46%	2.23%	2.25%
NET DIRECT DEBT to Assessed Value	3.75%	3.73%	5.61%	5.23%	4.55%	6.70%	6.76%
PER CAPITA RATIOS							
POPULATION (1)	10,521	10,589	10,420	10,401	10,401	10,401	10,401
PER CAPITA PERSONAL INCOME (2)	\$37,523	\$37,747	\$39,042	\$40,666	\$40,666	\$40,666	\$40,666
Estimated Actual Value to POPULATION	62,302	59,518	62,041	63,078	63,111	62,679	62,679
Assessed Value to POPULATION	20,069	18,535	19,390	19,236	20,215	20,900	20,900
Total Debt to POPULATION	1,181	1,093	1,696	1,580	1,458	1,901	1,918
Net Direct Debt to POPULATION	752	691	1,087	1,005	920	1,400	1,413
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.15%	2.89%	4.34%	3.88%	3.58%	4.67%	4.72%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.00%	1.83%	2.78%	2.47%	2.26%	3.44%	3.47%

(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.

CITY OF UNION CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS -
GENERAL OBLIGATION DEBT SERVICE FUND

F.Y. Ended 6/30	Unaudited - Existing Debt (1) - As of June 30, 2020			General Obligation Refunding Bonds, Series 2020A			General Obligation Refunding Bonds, Series 2020B (Federally Taxable)			Less: Refunded Bonds & Notes			Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2021	\$ 1,206,466	\$ 373,199	\$ 1,579,666	\$ 110,000	\$ 6,664	\$ 116,664	\$ 120,000	\$ 26,703	\$ 146,703	\$ (200,000)	\$ (97,690)	\$ (97,690)	\$ 1,236,466	\$ 308,377	\$ 1,544,843	8.42%
2022	1,233,521	341,495	1,575,016	110,000	7,823	117,823	120,000	32,130	152,130	(200,000)	(97,490)	(97,490)	1,263,521	288,957	1,552,478	
2023	1,260,607	308,259	1,568,866	105,000	6,998	111,998	120,000	30,630	150,630	(200,000)	(86,490)	(86,490)	1,285,607	259,397	1,545,003	
2024	1,287,724	274,142	1,561,866	105,000	6,105	111,105	120,000	29,010	149,010	(200,000)	(80,340)	(80,340)	1,312,724	228,917	1,541,641	
2025	914,873	239,145	1,154,018	105,000	5,055	110,055	255,000	27,270	282,270	(340,000)	(74,090)	(74,090)	934,873	197,378	1,132,251	41.06%
2026	942,054	214,472	1,156,526	100,000	3,900	103,900	260,000	23,318	283,318	(350,000)	(62,700)	(62,700)	952,054	178,989	1,131,043	
2027	954,268	187,858	1,142,126	100,000	2,700	102,700	255,000	19,928	274,928	(350,000)	(49,800)	(49,800)	959,268	159,785	1,119,053	
2028	971,515	160,810	1,132,325	100,000	1,400	101,400	250,000	14,565	264,565	(350,000)	(36,800)	(36,800)	971,515	139,975	1,111,491	
2029	883,796	133,429	1,017,225	-	-	-	245,000	9,940	254,940	(250,000)	(22,500)	(22,500)	878,796	120,869	999,666	72.02%
2030	796,112	108,839	904,951	-	-	-	240,000	5,040	245,040	(250,000)	(11,250)	(11,250)	786,112	102,629	888,741	
2031	553,463	86,963	640,426	-	-	-	-	-	-	-	-	-	553,463	86,963	640,426	
2032	565,848	76,190	642,038	-	-	-	-	-	-	-	-	-	565,848	76,190	642,038	
2033	578,270	64,912	643,182	-	-	-	-	-	-	-	-	-	578,270	64,912	643,182	
2034	590,728	53,116	643,844	-	-	-	-	-	-	-	-	-	590,728	53,116	643,844	
2035	603,224	41,058	644,282	-	-	-	-	-	-	-	-	-	603,224	41,058	644,282	91.70%
2036	530,059	28,463	558,522	-	-	-	-	-	-	-	-	-	530,059	28,463	558,522	
2037	225,000	17,250	242,250	-	-	-	-	-	-	-	-	-	225,000	17,250	242,250	
2038	230,000	11,625	241,625	-	-	-	-	-	-	-	-	-	230,000	11,625	241,625	
2039	235,000	5,875	240,875	-	-	-	-	-	-	-	-	-	235,000	5,875	240,875	100.00%
	<u>\$ 14,562,528</u>	<u>\$ 2,727,098</u>	<u>\$ 17,289,626</u>	<u>\$ 835,000</u>	<u>\$ 40,644</u>	<u>\$ 875,644</u>	<u>\$ 1,985,000</u>	<u>\$ 217,133</u>	<u>\$ 2,202,133</u>	<u>\$ (2,490,000)</u>	<u>\$ (614,150)</u>	<u>\$ (3,304,150)</u>	<u>\$ 14,692,528</u>	<u>\$ 2,370,725</u>	<u>\$ 17,063,253</u>	

NOTES:

- (1) The above figures may not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAPR.
- (2) Estimated Interest Rates. Estimated Average Coupon 1.16%.
- (3) Estimated Interest Rates. Estimated Average Coupon 1.81%.

CITY OF UNION CITY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer System Supported Debt

F.Y. Ended 6/30	Unaudited - Existing Debt (1) - As of June 30, 2020		General Obligation Refunding Bonds, Series 2020A		% 2020A Principal Repaid		Less: Refunded Bonds		Total Bonded Debt Service Requirements (1)		% All Principal Repaid		
	Principal	Interest	Principal	Interest(2)	Principal	Interest	Principal	Interest	Principal	Interest	TOTAL		
2021	\$ 388,936	\$ 94,713	\$ 483,649	\$ 8,270	\$ 155,000	\$ 8,270	\$ 163,270	\$ (140,000)	\$ (26,848)	\$ 403,936	\$ 76,135	\$ 480,071	7.69%
2022	390,568	87,798	478,366	9,588	150,000	9,588	159,588	(140,000)	(23,768)	400,568	73,618	474,186	
2023	392,224	80,385	472,609	8,463	145,000	8,463	153,463	(140,000)	(20,408)	397,224	68,640	465,864	
2024	368,892	73,142	442,034	7,230	110,000	7,230	117,230	(105,000)	(16,838)	373,892	63,534	437,426	
2025	380,584	66,267	446,851	6,130	120,000	6,130	126,130	(120,000)	(14,055)	385,584	58,342	443,926	37.33%
2026	392,300	58,992	451,292	4,810	125,000	4,810	129,810	(120,000)	(10,893)	397,300	52,909	450,209	
2027	394,028	51,279	445,307	3,310	120,000	3,310	123,310	(120,000)	(7,413)	394,028	47,177	441,205	
2028	400,780	43,426	444,206	1,750	125,000	1,750	126,750	(125,000)	(3,813)	400,780	41,364	442,144	
2029	282,556	35,340	317,896	-	-	-	-	-	-	282,556	35,340	317,896	70.80%
2030	284,356	30,945	315,301	-	-	-	-	-	-	284,356	30,945	315,301	
2031	291,168	26,530	317,698	-	-	-	-	-	-	291,168	26,530	317,698	
2032	293,004	21,993	314,997	-	-	-	-	-	-	293,004	21,993	314,997	
2033	299,864	17,265	317,129	-	-	-	-	-	-	299,864	17,265	317,129	
2034	306,736	12,235	318,971	-	-	-	-	-	-	306,736	12,235	318,971	
2035	193,212	7,445	200,657	-	-	-	-	-	-	193,212	7,445	200,657	97.15%
2036	150,000	3,750	153,750	-	-	-	-	-	-	150,000	3,750	153,750	100.00%
	\$ 5,209,208	\$ 711,704	\$ 5,920,912	\$ 49,550	\$ 1,050,000	\$ 49,550	\$ 1,099,550	\$ (1,005,000)	\$ (124,033)	\$ 5,254,208	\$ 637,222	\$ 5,891,430	

NOTES:

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

(2) Estimated Interest Rates. Estimated Average Coupon 1.16%.

FINANCIAL OPERATIONS

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.

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 Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Governmental Funds:</i>					
General	\$ 5,934,289	\$ 6,142,095	\$ 9,155,694	\$ 7,708,136	\$ 6,705,158
General Purpose					
School	2,690,866	2,260,254	2,149,702	2,691,466	3,061,261
Other Governmental	<u>1,812,415</u>	<u>2,090,653</u>	<u>1,755,291</u>	<u>1,849,986</u>	<u>1,707,356</u>
Total	<u>\$10,437,570</u>	<u>\$10,493,002</u>	<u>\$13,060,687</u>	<u>\$12,249,588</u>	<u>\$11,473,775</u>
<i>Proprietary Net Assets:</i>					
Water and Sewer	\$17,831,691	\$18,363,905	\$19,031,198	\$20,001,388	\$20,970,388
Electric System	<u>22,736,268</u>	<u>22,932,996</u>	<u>23,212,642</u>	-----	---
Total	<u>\$40,567,959</u>	<u>\$41,296,901</u>	<u>\$42,243,840</u>	<u>\$20,001,388</u>	<u>\$20,970,453</u>

Source: Comprehensive Annual Financial Report, City of Union City, Tennessee.

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CITY OF UNION CITY, 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>
Revenues:					
Taxes	\$ 8,771,996	\$ 9,144,550	\$ 9,275,071	\$ 9,601,689	\$ 9,395,306
Licenses, Permits, Fines	216,697	194,928	179,346	209,999	283,482
Intergovernmental	1,535,452	1,530,399	1,647,923	2,132,301	2,257,757
Fines and Forfeitures	118,204	98,820	82,287	102,709	73,534
Charges for Services	139,362	142,760	138,139	134,897	163,188
Other	466,395	565,833	449,389	578,177	1,006,606
Total Revenues	<u>\$ 11,248,106</u>	<u>\$ 11,677,290</u>	<u>\$ 11,772,155</u>	<u>\$ 12,759,772</u>	<u>\$ 13,179,873</u>
Expenditures:					
Financial Administration	\$ 1,728,091	\$ 2,035,242	\$ 1,542,732	\$ 1,793,415	\$ 1,978,585
Public Safety	4,934,479	4,855,566	5,029,260	4,905,349	5,578,142
Public Services	2,090,615	2,595,772	4,207,097	2,931,190	3,012,700
Debt Service	396,752	268,190	450,751	674,896	672,773
Capital Outlay	188,499	516,021	1,489,060	2,402,280	1,159,918
Total Expenditures	<u>\$ 9,338,436</u>	<u>\$ 10,270,791</u>	<u>\$ 12,718,900</u>	<u>\$ 12,707,130</u>	<u>\$ 12,402,118</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,909,670	\$ 1,406,499	\$ (946,745)	\$ 52,642	\$ 777,755
Other Financing Sources (Uses):					
Debt Proceeds	\$ -	\$ -	\$ 5,161,860	\$ -	\$ -
Insurance Recoveries	127,217	-	-	-	-
Transfers In	564,426	579,257	578,272	279,888	-
Transfers Out	(1,779,800)	(1,777,950)	(1,779,788)	(1,780,088)	(1,780,733)
Total	<u>\$ (1,088,157)</u>	<u>\$ (1,198,693)</u>	<u>\$ 3,960,344</u>	<u>\$ (1,500,200)</u>	<u>\$ (1,780,733)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 821,513	\$ 207,806	\$ 3,013,599	\$ (1,447,558)	\$ (1,002,978)
Fund Balance July 1	\$ 5,112,776	\$ 5,934,289	\$ 6,142,095	\$ 9,155,694	\$ 7,708,136
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30	<u><u>\$ 5,934,289</u></u>	<u><u>\$ 6,142,095</u></u>	<u><u>\$ 9,155,694</u></u>	<u><u>\$ 7,708,136</u></u>	<u><u>\$ 6,705,158</u></u>

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater than two years without written permission of the State Director of Local Finance.

As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. 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.

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

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 8,798,758	55%	\$ 20,057,230
Commercial and Industrial	106,633,040	40%	266,582,600
Personal Tangible Property	23,475,038	30%	78,250,061
Residential and Farm	<u>78,470,450</u>	25%	<u>313,881,800</u>
TOTAL	<u>\$217,377,286</u>		<u>\$678,771,691</u>

Source: 2019 Tax Aggregate Report for Tennessee.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2020 (tax year 2019) is \$217,377,286 compared to \$210,260,680 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$678,771,691 compared to \$656,028,327 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.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year¹	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2019	
						Amount	Pct
2015	\$196,062,956	\$2.1419	\$4,203,924	\$3,787,822	90.1%	\$65,043	1.5%
2016	202,046,303	2.16	4,355,109	4,066,653	93.4%	78,305	1.8%
2017	200,071,905	2.16	4,337,600	4,046,981	93.3%	95,217	2.2%
2018	210,260,680	2.0979	4,410,999	4,087,894	92.7%	323,10	7.3%
2019	217,377,286	2.12	4,619,910	IN PROGRESS			

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

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

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Levied</u>
1. Wal-Mart Real Estate	Retail	\$ 88,394
2. ATMOS Energy Corp	Utility	77,175
3. MVP Group	Distribution	54,427
4. Lowes Home Centers, Inc.	Retail	50,250
5. Kohler Company	Manufacturing	49,073
6. Cun Say Hai & May Cun	Retail	36,425
7. Baptist Memorial Hospital.	Hospital	31,849
8. First State Properties, Inc.	Bank	31,122
9. Double Star Hospitality	Hotel	30,674
10. James R. Abernathy, II	Automotive Retail	<u>30,383</u>
TOTAL		<u>\$479,772</u>

Source: The City.

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

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Levied</u>
1. Wal-Mart Real Estate	Retail	\$ 89,325
2. ATMOS Energy Corp	Utility	73,806
3. MVP Group	Distribution	55,000
4. Lowes Home Centers, Inc.	Retail	55,005
5. Kohler Company	Manufacturing	45,450
6. Cun Say Hai & May Cun	Retail	29,750
7. Baptist Memorial Hospital.	Hospital	55,200
8. First State Properties, Inc.	Bank	46,703
9. Double Star Hospitality	Hotel	30,997
10. James R. Abernathy, II	Automotive Retail	<u>46,283</u>
TOTAL		<u>\$527,519</u>

Source: The City.

PENSION PLAN

Plan Description - Employees of the City of Union City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 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 five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system on or 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 statute 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 of Union 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 chief governing body.

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

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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GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF UNION CITY, TENNESSEE

CITY OF UNION CITY, TENNESSEE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2019

**CITY OF UNION CITY, TENNESSEE
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INTRODUCTORY SECTION

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF OFFICIALS
June 30, 2019

City Council

Terry Hailey, Mayor
Dianne Eskew
Frank Tucker
Jim Douglas
Katie Keathley
Randy Barnes
Jim Rippy

Kathy Dillon, City Manager/CMFO

FINANCIAL SECTION



Independent Auditor's Report

Mayor and Members of the City Council
City of Union City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union City, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union City, Tennessee, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and the general purpose school 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 management's discussion and analysis and the pension and other postemployment benefits schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of Expenditures of Federal Awards, Schedule of State Assistance, Schedule of Changes in Long-Term Debt by Individual Issue, Schedule of Debt Service Requirements by Individual Issue, Schedule of Property Tax Receivable, Schedule of Property Tax Rates and Assessments, Schedule of Utility Rates in Force, Water Loss Schedules, and Management's Corrective Action Plan are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of Expenditures of Federal Awards, Schedule of State Assistance, Schedule of Changes in Long-Term Debt by Individual Issue, Schedule of Debt Service Requirements by Individual Issue, Schedule of Property Tax Receivable, and Schedule of Utility Rates in Force 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 Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of Expenditures of Federal Awards, Schedule of State Assistance, Schedule of Changes in Long-Term Debt by Individual Issue, Schedule of Debt Service Requirements by Individual Issue, Schedule of Property Tax Receivable,

Mayor and Members of the City Council
City of Union City, Tennessee

and Schedule of Utility Rates in Force are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section, Schedule of Property Tax Rates and Assessments, Water Loss Schedules, and Management's Corrective Action Plan 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 June 26, 2020, on our consideration of the City of Union City'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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Union City's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
June 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Union City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. This discussion focuses on the primary government, as component units are discussed in their own separately-issued reports. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Union City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$51,944,774 (net position). Of this amount, \$13,642,571 (unrestricted net position) may be used to meet the City of Union City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Union City's general fund reported an ending fund balance of \$6,705,158, a decrease of \$1,002,978 in comparison with the prior year. The fund balance available for spending at the City of Union City's discretion (unassigned fund balance) was \$4,175,605. The large increase in unassigned fund balance from the prior year was due to the use of the unspent debt proceeds held at the end of last year.
- A new special revenue fund was set up for storm water assessments and related expenditures.
- The newly-formed Union City Energy Authority (as of January 1, 2018) is a stand-alone entity and is reported separately from the City's primary government as a discretely-presented component unit in the government-wide statements. More detailed information on Union City Energy Authority can be found in its separately issued audit report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Union City's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required, supplementary, and other information in addition to the basic financial statements themselves. These components can be located by referring to the table of contents in this report.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Union City's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the City of Union City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Union City is improving or deteriorating.
- The Statement of Activities presents information showing how the City of Union City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the City of Union City 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 include financial administration, planning and code enforcement, public safety, street department, recreation, education, school food service, and sanitation. The business-type activities of the City consist of the water and sewer department.

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 Union City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Union City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of 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 City of Union City's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City currently has ten governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the General Fund and General Purpose School Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation for these statements and are also presented separately in a Combining Balance Sheet – Nonmajor Governmental Funds and a Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.

The City adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements and schedules have been provided in the report. See the table of contents to locate the various budget statements.

Proprietary funds – There are two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Union City uses an enterprise fund to account for its Water and Sewer Department. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department, which is a major fund of the City of Union City.

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 for fiduciary funds is similar to that used for proprietary funds. The City has one fiduciary fund, the Cemetery Trust Fund.

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 immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which immediately follows the notes, concerning the City of Union City's pension plans and other post-retirement benefit plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Union City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51,944,774 at the close of the most recent fiscal year.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	19,709,043	19,158,180	8,002,487	8,138,101	27,711,530	27,296,281
Capital assets	28,892,969	28,719,479	18,522,754	17,747,126	47,415,723	46,466,605
Total assets	<u>48,602,012</u>	<u>47,877,659</u>	<u>26,525,241</u>	<u>25,885,227</u>	<u>75,127,253</u>	<u>73,762,886</u>
Deferred outflows of resources	2,601,164	2,736,538	230,721	269,118	2,831,885	3,005,656
Long-term liabilities	11,455,232	12,714,524	5,246,246	5,628,701	16,701,478	18,343,225
Other liabilities	1,911,619	2,028,365	299,356	363,411	2,210,975	2,391,776
Total liabilities	<u>13,366,851</u>	<u>14,742,889</u>	<u>5,545,602</u>	<u>5,992,112</u>	<u>18,912,453</u>	<u>20,735,001</u>
Deferred inflows of resources	6,862,004	6,235,804	239,907	160,845	7,101,911	6,396,649
Net position:						
Net investment in capital assets	18,798,621	19,254,937	13,297,628	13,242,063	32,096,249	32,497,000
Restricted	6,061,580	4,642,731	252,058	116,130	6,313,638	4,758,861
Unrestricted	6,114,120	5,737,836	7,420,767	6,643,195	13,534,887	12,381,031
Total net position	<u>30,974,321</u>	<u>29,635,504</u>	<u>20,970,453</u>	<u>20,001,388</u>	<u>51,944,774</u>	<u>49,636,892</u>

The largest portion of the City's net position (61.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Union City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Union 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. A portion of net position (8.5%) is restricted for use by special revenue sources and for education and tourism expenditures. Net pension assets of \$1,883,276 (3.6%) are also restricted. The portion of net position represented by unrestricted net position (26.1%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

Statement of Activities – Expenses in governmental activities exceeded program revenues by \$14,592,766 compared to \$13,408,108 in the prior year. In business-type activities, charges for services exceeded expenses by \$502,683 compared to \$1,073,404 last year, mainly due to the elimination of the electric system. General government revenues totaling \$15,931,583 combined with business-type grants of \$311,960 and other income of \$154,422 resulted in a total net income of \$2,307,882 for the current year, compared to \$3,545,523 in the prior year. The transfer of electric operations to Union City Energy Authority in the prior year was the main cause for the decreases in the current year.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	3,270,837	2,796,264	4,864,887	17,704,225	8,135,724	20,500,489
Operating grants and contributions	12,460,417	12,393,507			12,460,417	12,393,507
Capital grants and contributions	219,803		311,960	399,347	531,763	399,347
General revenues:						
Property taxes	7,444,212	7,217,745			7,444,212	7,217,745
Other taxes	8,195,608	8,052,153			8,195,608	8,052,153
Other sources	291,763	124,217	154,422	86,765	446,185	210,982
Total revenues	31,882,640	30,583,886	5,332,161	18,190,337	37,213,909	48,774,223
Expenses:						
Financial administration	2,231,104	2,065,066			2,231,104	2,065,066
Planning and code	324,139	298,010			324,139	298,010
Public safety	5,339,745	5,031,502			5,339,745	5,031,502
Street department	2,792,883	2,083,917			2,792,883	2,083,917
Recreation	1,348,328	1,276,343			1,348,328	1,276,343
Community development	169,909	160,116			169,909	160,116
Education	15,236,755	14,747,408			15,236,755	14,747,408
School food service	1,041,393	984,933			1,041,393	984,933
Sanitation	2,059,567	1,950,584			2,059,567	1,950,584
Water and sewer			4,362,204	4,070,746	4,362,204	4,070,746
Electric			-	12,560,075	-	12,560,075
Total expenses	30,543,823	28,597,879	4,362,204	16,630,821	34,906,027	45,228,700
Revenue over expenses	1,338,817	1,986,007	969,065	1,559,516	2,307,882	3,545,523
Special item			-	(23,315,547)	-	(23,315,547)
Transfers	-	279,888	-	(279,888)		
Change in net position	1,338,817	2,265,895	969,065	(22,035,919)	2,307,882	(19,770,024)
Net position - beginning	29,635,504	28,715,081	20,001,388	42,243,840	49,636,892	70,958,921
Restatement	-	(1,345,472)	-	(206,533)	-	(1,552,005)
Net position - ending	30,974,321	29,635,504	20,970,453	20,001,388	51,944,774	49,636,892

Governmental revenues increased by \$1.3 million and governmental expenditures increased by \$1.9 million. Street expenditures increased by \$709 thousand due to increased road maintenance expenditures. Education expenses increased by \$489 thousand, mainly in support services. The Board of Education issues a separate financial report that contains management's discussion and analysis of their operations. Water and sewer revenue remained steady, with a slight increase in connection fees

and a reduction in bad debt expense reported as a reduction in revenue. Expenses increased by \$291 thousand, mainly in accounting and collecting. The largest change in business-type activities was the transfer of the electric system operations from the City to the Union City Energy Authority, reported as a special item immediately following net income. The revenue and expenses reported in the prior year also included six months of electric operations prior to the transfer.

COMMENTS ON FUND FINANCIAL STATEMENTS

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements and discussion, the overall financial position of the City has improved during the period.

The General Fund accounts for 41% of governmental fund revenues and the General Purpose School Fund accounts for an additional 41%. Since the Board of Education issues a separate report discussing its activities, the General Fund will be the focus of this discussion. The General fund balance was \$6,705,158 at the end of the current fiscal year, which was a decrease of \$1,002,978 from the prior year. Revenues exceeded expenditures by \$777,755 but other financing sources and uses decreased net position by \$1,780,733 for education expenditures. There was \$4,175,605 available to meet the day-to-day needs of the City, which increased \$1,218,855 from the prior year due to the release of unspent debt proceeds from restriction in the prior year.

Revenues in the General Fund increased by \$420,101 from the prior year, mainly due to a contribution received from the Obion County Fair. Interest income increased due to increased investments of cash. Expenditures decreased \$305,012 from the prior year, mainly in capital outlay expenditures.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the proprietary fund was \$20,970,453 with unrestricted net position making up \$7,420,767 of that total. Water and sewer revenue increased, mainly in connection fees and reduced bad debt write-offs. The electric system operations were transferred to the newly-formed Union City Energy Authority effective January 1, 2018. The Energy Authority is presented as a component unit of the City, and its operations from January 1, 2018 through June 30, 2018, are reported separately from the City's operations. See their separately issued report for a discussion of their current year operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$421,549 less than budgeted amounts in the General fund, with the largest variation in federal and state grants, which was \$1,274,370 under budgeted amounts. Contributions revenue was \$312,038 over budget due to a large contribution from Obion County Fair. Total expenditures were under budget by \$2.6 million in the current year. The following expenditure variations occurred for the year ended June 30, 2019:

- The Parks department was \$501 thousand under budget, mainly in capital improvements.
- The Street department was \$754 thousand under budget in capital outlay.
- The Public Safety departments were \$648 thousand under budget, mainly in fire salaries and police building repair.
- Financial administration was \$524 thousand under budget, mainly in capital outlay, specifically site preparation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – At June 30, 2019, the City had invested \$47,415,723 net of accumulated depreciation in a variety of capital assets and infrastructure. The slight increase of \$949,118 is attributable to capital outlay in excess of depreciation for the current year. Additional information on the City's capital assets can be found in Note 4D of the Notes to Financial Statements.

Long-term debt – At the end of the current fiscal year, the City had long-term debt outstanding of \$15,162,524. The entire amount comprises debt backed by the full faith and credit of the City of Union City. Additional information on the City's long-term debt can be found in Note 4E of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Labor Force estimates for June 30, 2019, indicate the unemployment rate for Obion County is 5.4%, Union City is 5.6%, the State's average unemployment rate is 3.4% and the national average unemployment rate is 3.7%. The cost of operating the City is anticipated to decrease slightly in 2019/2020 and the adopted budget for next year reflects this decrease.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Union City's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Union City, P.O. Box 9, Union City, TN 38281. Requests for any additional information on the City's component unit, Union City Energy Authority, should be directed to the Chief Financial Officer of Union City Energy Authority, P.O. Box 369 Union City, TN 38281.

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2019

	<u>Primary government</u>			<u>Component unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	Union City Energy Authority
Assets				
Cash	\$ 6,622,293	\$ 7,005,641	\$ 13,627,934	\$ 6,694,199
Investments	2,316,016	2,062,679	4,378,695	-
Property taxes receivable (net of allowance for uncollectible accounts)	4,619,909	-	4,619,909	-
Accounts receivable (net of allowance for uncollectible accounts)	86,142	904,083	990,225	2,075,299
Sales tax receivable	1,194,272	-	1,194,272	-
Other taxes receivable	364,855	-	364,855	-
Other receivables	67,056	44,172	111,228	263,191
Internal balances	2,514,669	(2,514,669)	-	-
Due from grantors	99,074	-	99,074	-
Inventories	37,753	194,695	232,448	868,200
Prepayments	-	-	-	33,075
Restricted assets:				
Invested funds	135,029	53,828	188,857	-
Pension trust	20,757	-	20,757	-
Capital assets, not being depreciated:				
Land	3,607,011	41,628	3,648,639	127,678
Property held for future use	-	-	-	100,009
Construction in progress	537,754	-	537,754	95,569
Capital assets, being depreciated, net:				
Buildings	15,884,370	-	15,884,370	-
Infrastructure	3,693,627	-	3,693,627	-
Improvements other than buildings	3,363,926	-	3,363,926	-
Vehicles and equipment	1,806,281	-	1,806,281	-
Utility plant in service	-	18,481,126	18,481,126	19,219,092
Net pension asset	1,631,218	252,058	1,883,276	-
Other assets	-	-	-	1,065,035
	<u>48,602,012</u>	<u>26,525,241</u>	<u>75,127,253</u>	<u>30,541,347</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	2,456,963	226,457	2,683,420	507,693
Deferred outflows related to postemployment benefits	144,201	4,264	148,465	20,238
Total deferred outflows of resources	<u>2,601,164</u>	<u>230,721</u>	<u>2,831,885</u>	<u>527,931</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2019

	Primary government			Component unit
	Governmental Activities	Business-Type Activities	Total	Union City Energy Authority
Liabilities				
Accounts payable	\$ 1,220,149	\$ -	\$ 1,220,149	\$ 3,770,503
Accrued payroll	282,176	61,730	343,906	15,867
Accrued vacation pay	361,333	35,352	396,685	125,653
Other payables	47,961	21,588	69,549	64,168
Customer deposits	-	180,686	180,686	610,413
Noncurrent liabilities:				
Due within one year	929,000	362,316	1,291,316	222,228
Due in more than one year	9,176,455	4,862,810	14,039,265	1,069,056
Net pension liability	197,941	-	197,941	222,844
Other postemployment benefits liability	1,151,836	21,120	1,172,956	398,556
Other liabilities	-	-	-	101,830
Total liabilities	<u>13,366,851</u>	<u>5,545,602</u>	<u>18,912,453</u>	<u>6,601,118</u>
Deferred Inflows of Resources				
Deferred revenue - property taxes	4,619,909	-	4,619,909	-
Deferred inflows related to pensions	1,795,611	214,245	2,009,856	34,533
Deferred inflows related to postemployment benefits	446,484	25,662	472,146	35,615
Total deferred inflows of resources	<u>6,862,004</u>	<u>239,907</u>	<u>7,101,911</u>	<u>70,148</u>
Net Position				
Net investment in capital assets	18,798,621	13,297,628	32,096,249	19,542,348
Restricted	6,061,580	252,058	6,313,638	-
Unrestricted	6,114,120	7,420,767	13,534,887	4,855,664
Total net position	<u>\$ 30,974,321</u>	<u>\$ 20,970,453</u>	<u>\$ 51,944,774</u>	<u>\$ 24,398,012</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Union City Energy Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Financial administration	\$ 2,231,104	\$ 189,319	\$ 125,000	\$ -	\$ (1,916,785)	\$ -	\$ (1,916,785)	\$ -
Planning and code enforcement	324,139	105,448	-	-	(218,691)	-	(218,691)	-
Public safety	5,339,745	602,868	56,071	-	(4,680,806)	-	(4,680,806)	-
Highways and streets	2,792,883	293,699	442,209	-	(2,056,975)	-	(2,056,975)	-
Recreation	1,348,328	-	234,934	213,615	(899,779)	-	(899,779)	-
Community development	169,909	-	50,000	6,188	(113,721)	-	(113,721)	-
Education	15,236,755	61,721	10,706,561	-	(4,468,473)	-	(4,468,473)	-
School food service	1,041,393	216,317	845,642	-	20,566	-	20,566	-
Sanitation	2,059,567	1,801,465	-	-	(258,102)	-	(258,102)	-
Total governmental activities	30,543,823	3,270,837	12,460,417	219,803	(14,592,766)	-	(14,592,766)	-
Business-type activities:								
Water and sewer	4,362,204	4,864,887	-	311,960	-	814,643	814,643	-
Total primary government	\$34,906,027	\$ 8,135,724	\$ 12,460,417	\$ 531,763	(14,592,766)	814,643	(13,778,123)	-
Component unit:								
Union City Energy Authority	\$25,987,613	\$ 26,762,515	\$ -	\$ -	-	-	-	774,902
General Revenues:								
Property taxes					7,444,212	-	7,444,212	-
Sales taxes					6,640,855	-	6,640,855	-
Other taxes					1,554,753	-	1,554,753	-
Interest					176,736	154,422	331,158	137,441
Sale of supplies					95,034	-	95,034	-
Miscellaneous					19,205	-	19,205	-
Loss on sale of equipment					788	-	788	-
Total general revenues, special items and transfers					15,931,583	154,422	16,086,005	137,441
Change in net position					1,338,817	969,065	2,307,882	912,343
Net position - beginning					29,635,504	20,001,388	49,636,892	23,485,669
Net position - ending					\$ 30,974,321	\$ 20,970,453	\$ 51,944,774	\$ 24,398,012

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

CITY OF UNION CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 2,037,249	\$ 2,555,340	\$ 2,029,704	\$ 6,622,293
Investments	2,062,677	253,339	-	2,316,016
Property taxes receivable (net)	4,619,909	-	-	4,619,909
Accounts receivable	-	4,809	81,333	86,142
Sales tax receivable	897,887	296,385	-	1,194,272
Other taxes receivable	364,855	-	-	364,855
Other receivables	23,466	43,590	-	67,056
Due from other funds	2,472,444	-	814,326	3,286,770
Due from grantors	8,577	-	90,497	99,074
Inventories	1,679	-	36,074	37,753
Restricted investment - pension trust		20,757	-	20,757
Restricted cash	135,029	-	-	135,029
Total assets	<u>\$12,623,772</u>	<u>\$ 3,174,220</u>	<u>\$ 3,051,934</u>	<u>\$ 18,849,926</u>
Liabilities				
Accounts payable	\$ 555,611	\$ 70,377	\$ 594,161	\$ 1,220,149
Accrued payroll	269,779	-	12,397	282,176
Accrued vacation pay	361,333	-	-	361,333
Due to other funds	34,081	-	738,020	772,101
Other payables	8,435	39,531	-	47,966
Unearned revenue	-	3,051	-	3,051
Total liabilities	<u>1,229,239</u>	<u>112,959</u>	<u>1,344,578</u>	<u>2,686,776</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	4,619,909	-	-	4,619,909
Unavailable revenue - intergovernmental taxes	69,466	-	-	69,466
Total deferred inflows of resources	<u>4,689,375</u>	<u>-</u>	<u>-</u>	<u>4,689,375</u>
Fund Balances				
Nonspendable - inventories	1,679	-	36,074	37,753
Nonspendable - long-term note receivable	5,000	-	-	5,000
Restricted	-	3,061,261	1,333,027	4,394,288
Committed	142,842	-	338,255	481,097
Assigned	2,380,032	-	-	2,380,032
Unassigned	4,175,605	-	-	4,175,605
Total fund balances	<u>6,705,158</u>	<u>3,061,261</u>	<u>1,707,356</u>	<u>11,473,775</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$12,623,772</u>	<u>\$ 3,174,220</u>	<u>\$ 3,051,934</u>	<u>\$ 18,849,926</u>

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

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

Total fund balances of governmental funds	\$ 11,473,775
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,892,969
Receivables that are not available to pay for current period expenditures are deferred in governmental funds.	72,522
Recognition of pension and OPEB expense on the accrual basis includes recognition of pension and OPEB liabilities and assets, as well as related deferred outflows and deferred inflows of resources, in the government-wide statements.	640,510
Long-term debt is not due and payable in the current period and, therefore, is not reported in governmental funds.	<u>(10,105,455)</u>
Net position of governmental activities	<u>\$ 30,974,321</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local taxes	\$ 9,395,306	\$ 3,974,742	\$ 173,402	\$ 13,543,450
Licenses and permits	283,482	-	-	283,482
Intergovernmental revenue	2,257,757	9,029,244	2,560,084	13,847,085
Fines, forfeitures and penalties	73,534	-	358,955	432,489
Charges for services	163,188	-	2,119,021	2,282,209
Interest	123,222	40,501	13,013	176,736
Local food service revenue	-	-	216,317	216,317
Other revenue	883,384	141,252	81,339	1,105,975
Total revenues	<u>13,179,873</u>	<u>13,185,739</u>	<u>5,522,131</u>	<u>31,887,743</u>
Expenditures				
Current:				
Financial administration	1,978,585	-	9,370	1,987,955
Planning and code enforcement	324,953	-	-	324,953
Public safety	5,253,189	-	158,799	5,411,988
Highways and streets	1,702,065	-	916,130	2,618,195
Recreation	1,224,987	-	-	1,224,987
Community development	2,655	-	167,254	169,909
Education	82,993	13,917,643	1,403,186	15,403,822
School food service	-	-	1,018,923	1,018,923
Sanitation	-	-	2,047,165	2,047,165
Debt service:				
Principal	457,000	450,000	-	907,000
Interest	215,773	118,233	-	334,006
Capital outlay:				
Financial administration	38,995	-	-	38,995
Public safety	207,207	-	(78,536)	128,671
Highways and streets	34,460	-	-	34,460
Recreation	879,256	-	-	879,256
Education	-	110,801	-	110,801
School food service	-	-	14,170	14,170
Total expenditures	<u>12,402,118</u>	<u>14,596,677</u>	<u>5,656,461</u>	<u>32,655,256</u>
Revenues over (under) expenditures	777,755	(1,410,938)	(134,330)	(767,513)
Other financing sources (uses)				
Transfers in	-	1,780,733	-	1,780,733
Transfers out	(1,780,733)	-	-	(1,780,733)
Net change in fund balances	(1,002,978)	369,795	(134,330)	(767,513)
Fund balances - July 1, 2018	7,708,136	2,691,466	1,849,986	12,249,588
Change in inventory - purchases method	-	-	(8,300)	(8,300)
Fund balances - June 30, 2019	<u>\$ 6,705,158</u>	<u>\$ 3,061,261</u>	<u>\$ 1,707,356</u>	<u>\$ 11,473,775</u>

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

CITY OF UNION CITY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net change in fund balances of governmental funds	\$ (767,513)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	179,853
In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(6,362)
Some taxes will not be collected for several months after the City's fiscal year ends; therefore, they are not considered "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year.	1,259
The repayment of long-term debt consumes financial resources at the governmental fund level but is applied directly against the outstanding debt balance at the government-wide level. This is the amount of principal repayments made during the current year.	907,000
Pension contributions are reported as expenditures in the governmental funds. However, pension and OPEB expense in the statement of activities is primarily the result of changes in the components of the pension and OPEB liabilities over the current and future periods.	1,016,331
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>8,249</u>
Change in net position of governmental activities	<u>\$ 1,338,817</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
REVENUES				
Local taxes				
Property taxes	\$ 4,430,000	\$ 4,430,000	\$ 4,325,573	\$ (104,427)
Property tax interest and penalties	60,000	60,000	67,748	7,748
Local sales tax	3,800,000	3,800,000	3,997,586	197,586
Wholesale beer tax	330,000	330,000	343,979	13,979
Business tax	-	-	34,516	34,516
Gross receipts tax	300,000	300,000	326,681	26,681
Mixed drink tax	5,700	5,700	-	(5,700)
Cable TV franchise tax	140,000	140,000	138,074	(1,926)
Natural gas franchise tax	140,000	140,000	161,149	21,149
Total local taxes	<u>9,205,700</u>	<u>9,205,700</u>	<u>9,395,306</u>	<u>189,606</u>
Licenses and permits				
Automobile registration	160,000	160,000	166,967	6,967
Privilege licenses	1,000	1,000	840	(160)
Animal registrations	200	200	182	(18)
Natural gas permits	500	500	5,360	4,860
Solicitation permits	200	200	450	250
Building permits	20,000	20,000	105,448	85,448
Plumbing permits	500	500	4,235	3,735
Total licenses and permits	<u>182,400</u>	<u>182,400</u>	<u>283,482</u>	<u>101,082</u>
Intergovernmental revenues				
Housing Authority in lieu of tax	33,880	33,880	33,880	-
In lieu of property taxes - UC Energy Authority	580,000	580,000	575,067	(4,933)
State sales tax	904,285	904,285	966,984	62,699
Telecommunications sales tax	-	-	12,970	12,970
State income tax	150,000	150,000	111,145	(38,855)
State beer tax	5,447	5,447	5,044	(403)
Alcoholic beverage tax	45,000	45,000	46,710	1,710
Petroleum special tax	22,335	22,335	21,633	(702)
Corporate excise tax	75,000	75,000	45,957	(29,043)
Federal and state grants	1,545,000	1,546,950	272,580	(1,274,370)
State police and fire supplements	40,000	40,000	35,400	(4,600)
Other state revenue allocations	124,203	124,203	130,387	6,184
Total intergovernmental revenues	<u>3,525,150</u>	<u>3,527,100</u>	<u>2,257,757</u>	<u>(1,269,343)</u>
Charges for services				
Fees and commissions	6,000	6,000	5,856	(144)
Rural fire service	120,000	120,000	113,925	(6,075)
Stormwater assessments	-	-	32,597	32,597
Auditorium charges	2,000	2,000	1,000	(1,000)
Administrative services	7,000	7,000	9,370	2,370
Other general government charges	350	350	440	90
Total charges for services	<u>135,350</u>	<u>135,350</u>	<u>163,188</u>	<u>27,838</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Fines, forfeitures, and penalties				
City court fines and costs	65,000	65,000	60,326	(4,674)
False alarm fees	250	250	75	(175)
Dog impoundment charges	7,000	7,000	6,977	(23)
Fines and penalties - drugs	7,000	7,000	5,056	(1,944)
Forfeitures	-	-	1,100	1,100
Total fines, forfeitures, and penalties	<u>79,250</u>	<u>79,250</u>	<u>73,534</u>	<u>(5,716)</u>
Interest	<u>26,500</u>	<u>26,500</u>	<u>123,222</u>	<u>96,722</u>
Other revenues				
Contributions	305,497	305,497	617,535	312,038
Rent	116,625	116,625	157,153	40,528
Sale of land and equipment	3,000	3,000	4,888	1,888
Sale of cemetery lots	10,000	10,000	15,500	5,500
Sale of supplies	5,000	5,000	85,058	80,058
Insurance recoveries	-	-	2,500	2,500
Miscellaneous revenue	5,000	5,000	750	(4,250)
Total other revenues	<u>445,122</u>	<u>445,122</u>	<u>883,384</u>	<u>438,262</u>
Total revenues	<u>13,599,472</u>	<u>13,601,422</u>	<u>13,179,873</u>	<u>(421,549)</u>
EXPENDITURES				
Financial administration				
Salaries	187,127	187,127	261,088	73,961
Payroll taxes	14,314	14,314	17,893	3,579
Hospitalization insurance	16,463	16,463	20,318	3,855
Retirement costs	6,095	6,095	7,666	1,571
Workmen's compensation	787	787	914	127
Communication	1,000	1,000	-	(1,000)
Postage and box rent	150	150	4,555	4,405
Publications	5,000	5,000	-	(5,000)
Memberships and registrations	5,500	5,500	4,979	(521)
Public relations	5,000	5,000	-	(5,000)
Utilities	410,500	410,500	498,922	88,422
Telephone and internet	2,000	2,000	2,866	866
Legal services	15,000	15,000	52,542	37,542
Auditing services	13,150	13,150	14,400	1,250
Architectural services	23,725	23,725	-	(23,725)
Data processing and computer maintenance	55,760	55,760	76,287	20,527
Repair - equipment	2,000	2,000	229	(1,771)
Repair - traffic signals	17,000	17,000	22,460	5,460
Repair - buildings	75,000	75,000	64,885	(10,115)
Repair - other	40,000	40,000	30,550	(9,450)
Travel expense	2,000	2,000	1,641	(359)
Janitor	-	-	459	459

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Office supplies and materials	13,000	13,000	20,764	7,764
Electrical supplies	5,000	5,000	5,373	373
Other supplies	-	-	5,928	5,928
Insurance on buildings	45,000	45,000	42,754	(2,246)
Liability insurance	70,000	70,000	74,082	4,082
Bank service charges	2,000	2,000	5,929	3,929
Payments in lieu of tax	4,000	4,000	3,429	(571)
Retirement of bonds and notes	457,000	457,000	457,000	-
Interest and fees on bonds and notes	215,121	215,121	215,773	652
Bad debt expense	-	-	182,486	182,486
Grants and contributions	735,209	810,209	550,090	(260,119)
Capital outlay - land	125,000	125,000	40,716	(84,284)
Capital outlay - equipment	5,000	5,000	1,750	(3,250)
Capital outlay - site prep	565,500	565,500	1,625	(563,875)
Total financial administration	<u>3,139,401</u>	<u>3,214,401</u>	<u>2,690,353</u>	<u>(524,048)</u>
Planning and code enforcement				
Salaries	139,241	139,241	170,589	31,348
Payroll taxes	10,652	10,652	12,582	1,930
Hospitalization insurance	26,790	26,790	21,770	(5,020)
Retirement costs	5,862	5,862	6,990	1,128
Workmen's compensation	5,604	5,604	5,990	386
Communication	900	900	-	(900)
Postage and box rent	500	500	327	(173)
Memberships and registrations	-	-	115	115
Utilities	-	-	10,395	10,395
Telephone and telegraph	750	750	3,229	2,479
Professional services	20,000	20,000	28,111	8,111
Computer maintenance	5,000	5,000	-	(5,000)
Planning assistance	11,250	11,250	14,250	3,000
Vehicle repairs	1,000	1,000	1,716	716
Repair and maintenance - slum clearance	50,000	50,000	16,457	(33,543)
Repair and maintenance - building	5,000	5,000	15,301	10,301
Stormwater permit fee	-	-	3,460	3,460
Travel expense	2,500	2,500	1,826	(674)
Office supplies and materials	2,500	2,500	7,544	5,044
Clothing and uniforms	250	250	198	(52)
Operating supplies	2,000	2,000	1,275	(725)
Gas, oil, diesel fuel and grease	1,500	1,500	1,078	(422)
Capital outlay - other equipment	1,500	1,500	1,750	250
Total planning and code enforcement	<u>292,799</u>	<u>292,799</u>	<u>324,953</u>	<u>32,154</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over
				(Under)
Police department				
Salaries	2,058,009	2,058,009	2,057,838	(171)
Salary supplement	19,800	19,800	16,800	(3,000)
Payroll taxes	153,613	153,613	155,534	1,921
Hospitalization insurance	248,130	248,130	227,349	(20,781)
Retirement costs	82,879	82,879	80,416	(2,463)
Workmen's compensation	99,955	99,955	79,190	(20,765)
Unemployment	1,000	1,000	-	(1,000)
Communications	900	900	-	(900)
Postage and box rent	800	800	541	(259)
TV and radio services	10,000	10,000	2,599	(7,401)
Radio communication and transmission	6,000	6,000	4,370	(1,630)
Membership and registration fees	15,000	15,000	17,647	2,647
Public relations	2,000	2,000	5,296	3,296
Utilities	26,000	26,000	28,239	2,239
Telephone	6,000	6,000	7,899	1,899
Computer maintenance	35,000	35,000	50,904	15,904
Police professional services	15,000	15,000	468	(14,532)
Vehicle repair	36,000	36,000	22,151	(13,849)
Building repair	320,038	320,038	159,049	(160,989)
Other repair	10,000	10,000	1,071	(8,929)
Travel expense	6,000	6,000	5,333	(667)
Boarding prisoners	-	-	23	23
Office supplies and materials	8,000	8,000	9,331	1,331
Clothing and uniforms	12,000	32,980	17,489	(15,491)
Educational supplies	3,000	3,000	4,563	1,563
Operating supplies	7,500	7,500	13,849	6,349
Gas, oil, diesel fuel, and grease	60,000	60,000	48,380	(11,620)
Highway safety expense	35,000	35,000	15,527	(19,473)
Capital outlay - equipment	150,000	150,000	97,775	(52,225)
Total police department	<u>3,427,624</u>	<u>3,448,604</u>	<u>3,129,631</u>	<u>(318,973)</u>
Animal control				
Salaries	74,779	74,779	79,208	4,429
Payroll taxes	5,567	5,567	1,171	(4,396)
Hospitalization insurance	12,099	12,099	1,007	(11,092)
Retirement costs	3,064	3,064	459	(2,605)
Workers' compensation and unemployment	3,657	3,657	-	(3,657)
Membership fees and education	250	250	-	(250)
Utilities	10,500	10,500	13,927	3,427
Telephone	1,000	1,000	881	(119)
Repair and maintenance	4,000	4,000	692	(3,308)
Boarding animals	6,000	6,000	7,990	1,990
Office supplies and materials	300	300	-	(300)
Clothing and uniforms	1,000	1,000	389	(611)
Education	1,000	1,000	380	(620)

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Operating supplies	1,000	1,000	872	(128)
Gas, oil, diesel fuel, and grease	3,000	3,000	2,078	(922)
Capital outlay - equipment	1,000	1,000	-	(1,000)
Total animal control	<u>128,216</u>	<u>128,216</u>	<u>109,054</u>	<u>(19,162)</u>
Fire department				
Salaries	1,780,356	1,780,356	1,534,254	(246,102)
Salary supplement	19,200	19,200	18,600	(600)
Payroll taxes	127,836	127,836	109,384	(18,452)
Hospitalization insurance	193,580	193,580	169,843	(23,737)
Retirement costs	70,322	70,322	59,398	(10,924)
Workmen's compensation	68,210	68,210	56,969	(11,241)
Communications	900	900	-	(900)
Postage and box rent	1,700	1,700	1,276	(424)
TV and radio services	3,000	3,000	6,532	3,532
Memberships, registrations	400	400	160	(240)
Public relations	600	600	387	(213)
Utilities	36,000	36,000	36,383	383
Telephone	5,000	5,000	4,117	(883)
Legal	-	-	718	718
Computer maintenance	6,120	6,120	7,154	1,034
Vehicle repair	32,000	59,005	55,511	(3,494)
Building repair	3,000	3,000	32,332	29,332
Other repair	24,000	24,000	3,637	(20,363)
Computer equipment	3,500	3,500	1,614	(1,886)
Travel expense	1,500	1,500	1,225	(275)
Office supplies and materials	4,000	4,000	3,996	(4)
Janitorial supplies	5,200	5,200	4,026	(1,174)
Clothing and uniforms	7,000	7,000	4,985	(2,015)
Educational supplies	1,500	1,500	1,405	(95)
Operating supplies	13,000	13,000	15,909	2,909
Gas, oil, diesel fuel, and grease	14,000	14,000	15,860	1,860
Emergency medical service	10,000	10,000	8,302	(1,698)
Capital outlay - transportation equipment	32,000	32,000	31,645	(355)
Capital outlay - equipment	20,000	20,000	15,295	(4,705)
FEMA grant expenses	-	1,950	1,949	(1)
Total fire department	<u>2,483,924</u>	<u>2,512,879</u>	<u>2,202,866</u>	<u>(310,013)</u>
Storm water				
Salaries	42,494	42,494	-	(42,494)
Payroll taxes	3,251	3,251	-	(3,251)
Health insurance	6,050	6,050	-	(6,050)
Retirement	1,789	1,789	-	(1,789)
Workers compensation	2,170	2,170	-	(2,170)
Postage	200	200	8	(192)

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Memberships and fees	1,000	1,000	1,000	-
Legal services	3,000	3,000	1,353	(1,647)
Telephone	-	-	9	9
Engineering	25,000	25,000	14,021	(10,979)
State fee permits	6,000	6,000	125	(5,875)
Travel	1,000	1,000	1,245	245
Public outreach	1,000	1,000	39	(961)
Educational supplies	-	-	1,045	1,045
Total storm water	<u>92,954</u>	<u>92,954</u>	<u>18,845</u>	<u>(74,109)</u>
Street department				
Salaries	361,201	361,201	374,755	13,554
Temporary employees	83,000	83,000	71,615	(11,385)
Payroll taxes	26,485	26,485	27,758	1,273
Hospitalization insurance	46,467	46,467	46,712	245
Retirement costs	14,575	14,575	15,348	773
Workmen's compensation	26,030	26,030	18,929	(7,101)
Communications	900	900	-	(900)
Radio services	500	500	-	(500)
Memberships, registrations	300	300	63	(237)
Utilities	13,500	13,500	13,571	71
Telephone	1,500	1,500	2,657	1,157
Legal	1,500	1,500	2,338	838
Architectural, engineering	2,000	2,000	600	(1,400)
Computer maintenance	10,000	10,000	276	(9,724)
Vehicle repair	40,000	40,000	39,051	(949)
Machinery repair	2,000	2,000	3,055	1,055
Building repair	2,500	2,500	893	(1,607)
Road repair	80,000	80,000	278,565	198,565
Other repairs	54,684	54,684	58,979	4,295
Travel expense	300	300	283	(17)
Machinery rental	62,700	62,700	55,291	(7,409)
Office supplies and materials	300	300	2	(298)
Operating supplies	10,000	10,000	22,928	12,928
Gas, oil, diesel fuel, and grease	25,000	25,000	37,282	12,282
Consumable tools	7,500	7,500	6,559	(941)
Sign parts and supplies	10,000	10,000	8,568	(1,432)
Capital outlay - roads, streets	350,000	350,000	519,458	169,458
Capital outlay - building improvements	7,500	7,500	7,500	-
Capital outlay - other improvements	920,957	920,957	92,342	(828,615)
Capital outlay - transportation equipment	98,807	98,807	4,750	(94,057)
Capital outlay - machinery and equipment	27,000	27,000	26,397	(603)
Total street department	<u>2,287,206</u>	<u>2,287,206</u>	<u>1,736,525</u>	<u>(550,681)</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Turf management				
Salaries	224,109	224,109	229,404	5,295
Payroll taxes	16,762	16,762	16,504	(258)
Hospitalization insurance	12,201	12,201	16,710	4,509
Retirement costs	5,140	5,140	5,593	453
Workmen's compensation	8,754	8,754	7,636	(1,118)
Communications	900	900	-	(900)
Postage and box rent	20	20	-	(20)
Membership, education	1,800	1,800	2,844	1,044
Utilities	9,000	9,000	7,430	(1,570)
Telephone	4,500	4,500	6,317	1,817
Professional services	1,000	1,000	1,005	5
Computer maintenance	500	500	-	(500)
Vehicle repairs	10,000	10,000	12,120	2,120
Grounds repair and maintenance	40,000	40,000	51,773	11,773
Repair and maintenance - facility	40,000	40,000	53,388	13,388
Other repair and maintenance	5,000	5,000	5,753	753
Travel	1,000	1,000	1,065	65
Office supplies	3,000	3,000	3,146	146
Agriculture/horticulture	15,000	15,000	15,877	877
Janitorial supplies	2,500	2,500	3,771	1,271
Clothing and uniforms	2,000	2,000	2,734	734
Operating supplies	7,000	7,000	11,867	4,867
Machinery and equipment rental	20,000	20,000	7,411	(12,589)
Gas, oil, diesel fuel, and grease	8,000	8,000	8,892	892
Consumable tools	3,000	3,000	3,250	250
Capital outlay - improvements	266,934	764,434	405,171	(359,263)
Total turf management	<u>708,120</u>	<u>1,205,620</u>	<u>879,661</u>	<u>(325,959)</u>
Park administration				
Salaries	270,554	270,554	281,694	11,140
Temporary employees	150,000	150,000	149,397	(603)
Payroll taxes	20,315	20,315	20,757	442
Hospitalization insurance	42,345	42,345	40,623	(1,722)
Retirement costs	11,179	11,179	11,489	310
Workmen's compensation	9,199	9,199	6,332	(2,867)
Unemployment	2,000	2,000	-	(2,000)
Communications	900	900	-	(900)
Postage and box rent	200	200	-	(200)
TV and radio services	300	300	-	(300)
Utilities	130,000	130,000	92,556	(37,444)
Telephone	2,500	2,500	3,939	1,439
Legal	1,000	1,000	275	(725)
Computer maintenance contract	200	200	350	150
Vehicle repairs	3,500	3,500	3,258	(242)

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Ground repair	60,000	60,000	65,868	5,868
Other repair	2,500	2,500	1,228	(1,272)
Travel expense	200	200	4	(196)
Agriculture and horticulture	2,500	2,500	2,304	(196)
Recreation supplies	10,000	10,000	20,359	10,359
Operating supplies	10,000	10,000	11,753	1,753
Gas, oil, diesel fuel, and grease	20,000	20,000	22,671	2,671
Consumable tools	10,000	10,000	10,763	763
Grants and donations to others	1,500	1,500	1,500	-
Capital outlay - improvements	1,412,516	915,016	459,607	(455,409)
Capital outlay - machinery and equipment	28,000	28,000	17,855	(10,145)
Capital outlay - transportation equipment	22,000	22,000	-	(22,000)
Total park administration	<u>2,223,408</u>	<u>1,725,908</u>	<u>1,224,582</u>	<u>(501,326)</u>
City Beautiful				
Improvements	<u>5,500</u>	<u>5,500</u>	<u>2,655</u>	<u>(2,845)</u>
Education				
Building insurance	<u>85,000</u>	<u>85,000</u>	<u>82,993</u>	<u>(2,007)</u>
Total expenditures	<u>14,874,152</u>	<u>14,999,087</u>	<u>12,402,118</u>	<u>(2,596,969)</u>
Revenues over (under) expenditures	<u>(1,274,680)</u>	<u>(1,397,665)</u>	<u>777,755</u>	<u>2,175,420</u>
Other financing sources (uses)				
Transfers out	(1,212,500)	(1,212,500)	(1,212,500)	-
Debt service on school assets	<u>(568,233)</u>	<u>(568,233)</u>	<u>(568,233)</u>	<u>-</u>
Net change in fund balance	<u>(3,055,413)</u>	<u>(3,178,398)</u>	<u>(1,002,978)</u>	<u>2,175,420</u>
Fund balance - July 1, 2018	<u>7,708,136</u>	<u>7,708,136</u>	<u>7,708,136</u>	<u>-</u>
Fund balance - June 30, 2019	<u>\$ 4,652,723</u>	<u>\$ 4,529,738</u>	<u>\$ 6,705,158</u>	<u>\$ 2,175,420</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
County tax revenues				
Property tax - current year	\$ 2,120,000	\$ 2,120,000	\$ 2,145,685	\$ 25,685
Property tax - prior years trustee	53,000	53,000	57,981	4,981
Property tax - prior years others	24,000	24,000	24,325	325
Payments in lieu of taxes	16,000	16,000	25,226	9,226
Bank excise taxes	10,000	10,000	6,754	(3,246)
Interest and penalty on delinquent taxes	15,000	15,000	10,787	(4,213)
Business tax, licenses, fines and fees	<u>30,200</u>	<u>30,200</u>	<u>40,799</u>	<u>10,599</u>
Total county tax revenues	<u>2,268,200</u>	<u>2,268,200</u>	<u>2,311,557</u>	<u>43,357</u>
Local option sales tax	<u>1,680,000</u>	<u>1,680,000</u>	<u>1,663,185</u>	<u>(16,815)</u>
State funds for operations				
Basic education program	8,572,000	8,535,000	8,535,000	-
Early childhood education	191,392	195,243	195,243	-
Career ladder program	39,221	39,221	39,552	331
Mixed drink tax	700	700	1,162	462
Other state funds	<u>144,300</u>	<u>196,890</u>	<u>198,213</u>	<u>1,323</u>
Total state funds for operations	<u>8,947,613</u>	<u>8,967,054</u>	<u>8,969,170</u>	<u>2,116</u>
Federal funds				
Public law 874	<u>2,000</u>	<u>2,000</u>	<u>3,212</u>	<u>1,212</u>
Interest earned on investments	<u>7,000</u>	<u>13,000</u>	<u>40,501</u>	<u>27,501</u>
Local revenue				
Receipts from individuals	5,000	5,000	5,102	102
Community service fees	55,926	55,926	61,721	5,795
Miscellaneous refunds	-	534	534	-
Insurance recovery	-	8,852	8,852	-
Sale of property	-	4,450	7,150	2,700
Other local revenues	<u>61,198</u>	<u>59,099</u>	<u>57,893</u>	<u>(1,206)</u>
Total local revenue	<u>122,124</u>	<u>133,861</u>	<u>141,252</u>	<u>7,391</u>
Total revenues	<u>13,026,937</u>	<u>13,064,115</u>	<u>13,128,877</u>	<u>64,762</u>
EXPENDITURES				
Instruction				
Regular instruction:				
Teachers	4,666,690	4,597,135	4,515,064	(82,071)
Career ladder program	20,600	21,100	18,100	(3,000)
Homebound teachers	4,000	4,000	975	(3,025)
Educational assistants	203,476	219,128	218,501	(627)
Other salaries and wages	12,000	11,280	11,000	(280)
Substitute teachers	40,160	45,000	44,760	(240)
Noncertified substitute teachers	15,150	10,000	5,240	(4,760)
Social security	307,650	304,276	280,342	(23,934)

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
State retirement	509,973	505,340	456,007	(49,333)
Life insurance	3,402	3,403	3,224	(179)
Medical insurance	1,211,348	1,160,775	1,118,815	(41,960)
Unemployment compensation	10,000	8,000	262	(7,738)
Medicare	71,951	71,162	65,564	(5,598)
Maintenance and repairs	8,646	8,646	5,665	(2,981)
Other contracted services	37,500	40,500	37,999	(2,501)
Food supplies	1,200	1,119	779	(340)
Instructional supplies and materials	97,869	87,869	49,857	(38,012)
Textbooks	95,000	135,000	121,718	(13,282)
Software	-	25,517	21,732	(3,785)
Refunds	5,500	6,310	6,310	-
Other charges	26,045	31,495	23,137	(8,358)
Regular instruction equipment	48,260	59,150	46,998	(12,152)
Total regular education	<u>7,396,420</u>	<u>7,356,205</u>	<u>7,052,049</u>	<u>(304,156)</u>
Special education:				
Teachers	339,525	339,525	339,317	(208)
Career ladder program	1,000	1,000	1,000	-
Homebound teachers	3,000	3,000	-	(3,000)
Aides	15,652	15,652	15,652	-
Speech pathologist	54,910	54,910	54,773	(137)
Other salaries and wages	-	-	-	-
Substitute teachers	3,000	3,000	-	(3,000)
Noncertified substitute teachers	800	800	38	(762)
Social security	26,089	26,089	24,385	(1,704)
State retirement	43,167	43,167	41,443	(1,724)
Life insurance	292	292	284	(8)
Medical insurance	89,749	71,816	71,816	-
Medicare	6,102	6,102	5,703	(399)
Total special education	<u>583,286</u>	<u>565,353</u>	<u>554,411</u>	<u>(10,942)</u>
Vocational education:				
Teachers	292,650	265,982	265,980	(2)
Substitute teachers	2,000	4,500	3,800	(700)
Noncertified substitute teachers	1,000	500	75	(425)
Social security	18,331	16,802	15,734	(1,068)
State retirement	30,612	27,823	26,905	(918)
Life insurance	211	211	184	(27)
Medical insurance	77,724	68,271	68,271	-
Medicare	4,287	3,930	3,680	(250)
Maintenance and repair - equipment	500	500	-	(500)
Instructional supplies	2,750	2,750	1,643	(1,107)
Other charges	4,250	4,250	-	(4,250)
Total vocational education	<u>434,315</u>	<u>395,519</u>	<u>386,272</u>	<u>(9,247)</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Support services				
Attendance:				
Director	27,176	27,176	24,769	(2,407)
Other salaries and wages	1,400	1,400	1,400	-
Social security	1,772	1,772	1,542	(230)
State retirement	2,990	2,990	2,738	(252)
Life insurance	17	17	16	(1)
Medical insurance	7,116	6,164	6,164	-
Medicare	414	414	361	(53)
Travel	1,900	1,900	890	(1,010)
Software	-	25,758	16,082	(9,676)
Other supplies and materials	600	600	157	(443)
Total attendance	<u>43,385</u>	<u>68,191</u>	<u>54,119</u>	<u>(14,072)</u>
Health services:				
Supervisor/Director	54,710	54,710	54,710	-
Medical personnel	45,450	45,450	45,450	-
Other salaries and wages	1,900	1,900	1,400	(500)
Social security	6,329	6,329	5,840	(489)
State retirement	9,923	9,923	8,988	(935)
Life insurance	66	66	65	(1)
Medical insurance	29,128	28,343	28,342	(1)
Medicare	1,482	1,482	1,366	(116)
Maintenance and repair - equipment	250	250	-	(250)
Travel	4,000	4,000	1,429	(2,571)
Other contracted services	2,625	2,625	395	(2,230)
Drugs and medical supplies	2,100	2,100	2,065	(35)
Other supplies and materials	3,919	3,919	3,738	(181)
Total health services	<u>161,882</u>	<u>161,097</u>	<u>153,788</u>	<u>(7,309)</u>
Other student support:				
Career ladder program	2,000	2,000	2,000	-
Guidance personnel	175,675	175,675	175,675	-
Other salaries and wages	-	61,400	53,725	(7,675)
Social security	11,016	14,823	13,502	(1,321)
State retirement	18,585	24,025	19,381	(4,644)
Life insurance	98	131	111	(20)
Medical insurance	47,703	52,814	52,016	(798)
Medicare	2,577	3,466	3,155	(311)
Evaluation and testing	24,900	24,900	19,458	(5,442)
Travel	-	1,630	140	(1,490)
Other contracted services	109,997	110,697	109,754	(943)
Other charges	17,900	27,548	17,022	(10,526)
Other equipment	54,500	54,500	35,375	(19,125)
Total other student support	<u>464,951</u>	<u>553,609</u>	<u>501,314</u>	<u>(52,295)</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Regular instruction:				
Director	151,404	156,128	156,128	-
Career ladder program	5,000	5,000	4,500	(500)
Librarians	115,215	115,215	115,215	-
Secretaries	24,425	24,933	24,932	(1)
Clerical personnel	9,750	9,750	9,750	-
Bonus payments	251,000	250,492	247,233	(3,259)
Other salaries and wages	12,400	12,400	6,460	(5,940)
Certified substitute teachers	1,060	1,060	200	(860)
Noncertified substitute teachers	140	140	-	(140)
Social security	35,366	35,659	34,044	(1,615)
State retirement	58,989	59,529	56,565	(2,964)
Life insurance	162	171	156	(15)
Medical insurance	47,207	48,939	48,930	(9)
Medicare	8,273	8,344	7,962	(382)
Dues and memberships	-	100	100	-
Travel	9,000	7,000	764	(6,236)
Other contracted services	1,000	1,000	-	(1,000)
Library books	15,774	15,774	14,799	(975)
Software	-	5,800	5,700	(100)
Other supplies and materials	1,000	1,000	49	(951)
Inservice/staff development	9,000	8,214	8,196	(18)
Total regular education	<u>756,165</u>	<u>766,648</u>	<u>741,683</u>	<u>(24,965)</u>
Special education:				
Director	47,025	47,575	47,575	-
Clerical personnel	29,250	29,250	29,250	-
Other salaries and wages	1,400	1,400	1,400	-
Social security	4,816	4,851	4,579	(272)
State retirement	7,654	7,712	7,711	(1)
Life insurance	49	49	49	-
Medical insurance	16,938	16,550	16,549	(1)
Medicare	1,127	1,135	1,071	(64)
Total special education	<u>108,259</u>	<u>108,522</u>	<u>108,184</u>	<u>(338)</u>
Vocational education:				
Director	9,722	9,722	9,722	-
Social security	603	603	577	(26)
State retirement	1,017	1,017	1,017	-
Medicare	141	141	135	(6)
Total vocational education	<u>11,483</u>	<u>11,483</u>	<u>11,451</u>	<u>(32)</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Education technology				
Director	70,464	70,464	64,226	(6,238)
Clerical personnel	5,856	5,856	5,336	(520)
Other salaries and wages	43,495	43,495	32,976	(10,519)
Social security	7,446	7,446	6,009	(1,437)
State retirement	12,513	12,513	9,154	(3,359)
Life insurance	62	62	59	(3)
Medical insurance	29,244	27,716	25,259	(2,457)
Medicare	1,741	1,741	1,405	(336)
Maintenance and repair - equipment	959	959	817	(142)
Internet connectivity	30,436	30,436	24,695	(5,741)
Travel	4,440	4,440	1,194	(3,246)
Other contracted services	12,210	12,210	1,792	(10,418)
Instructional supplies	38,833	28,833	23,490	(5,343)
Cabling	4,698	6,644	6,057	(587)
Software	83,888	24,867	21,120	(3,747)
Inservice/staff development	2,918	2,918	1,631	(1,287)
Other equipment	219,785	189,785	188,275	(1,510)
Total education technology	<u>568,988</u>	<u>470,385</u>	<u>413,495</u>	<u>(56,890)</u>
Board of education:				
Audit services	23,898	24,323	22,170	(2,153)
Dues and memberships	9,725	9,725	5,553	(4,172)
Legal services	9,981	9,981	386	(9,595)
Travel	12,160	12,160	6,837	(5,323)
Other contracted services	3,848	3,848	3,052	(796)
Boiler insurance	64	62	-	(62)
Liability insurance	20,900	20,900	17,661	(3,239)
Trustee commissions	65,000	65,000	61,997	(3,003)
Worker's compensation insurance	69,940	69,940	60,762	(9,178)
Criminal investigation	250	250	136	(114)
Refund to applicant	250	250	33	(217)
Other charges	34,600	39,600	32,033	(7,567)
Total board of education	<u>250,616</u>	<u>256,039</u>	<u>210,620</u>	<u>(45,419)</u>
Director of schools:				
County official/administrative officer	115,648	116,705	116,705	-
Career ladder program	1,000	1,000	1,000	-
Secretaries	48,052	48,052	48,052	-
Other salaries and wages	12,920	11,863	8,280	(3,583)
Social security	11,013	11,013	10,399	(614)
State retirement	17,806	17,806	17,431	(375)
Life insurance	65	65	65	-
Medical insurance	29,646	28,967	28,967	-
Medicare	2,576	2,576	2,432	(144)
Communication	45,000	45,000	44,453	(547)

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Dues and memberships	3,000	3,000	2,486	(514)
Maintenance and repair - equipment	500	500	-	(500)
Postal charges	3,000	3,000	1,476	(1,524)
Travel	8,400	8,400	5,023	(3,377)
Other contracted services	4,800	6,620	6,262	(358)
Office supplies	7,500	9,054	8,390	(664)
Other charges	6,000	6,000	2,837	(3,163)
Administration equipment	21,113	21,113	16,548	(4,565)
Total director of schools	<u>338,039</u>	<u>340,734</u>	<u>320,806</u>	<u>(19,928)</u>
Office of the principal:				
Principals	253,640	251,927	251,926	(1)
Career ladder program	4,000	3,500	2,500	(1,000)
Accountants/bookkeepers	32,989	32,989	32,989	-
Assistant principals	223,139	207,355	207,332	(23)
Secretaries	131,765	131,765	131,764	(1)
Social security	40,023	38,909	36,643	(2,266)
State retirement	64,871	62,989	61,902	(1,087)
Life insurance	389	389	383	(6)
Medical insurance	135,087	150,494	149,092	(1,402)
Medicare	9,361	9,101	8,570	(531)
Dues and memberships	5,000	5,698	5,203	(495)
Travel	7,500	7,500	-	(7,500)
Other contracted services	3,700	3,767	3,267	(500)
Other charges	1,200	1,200	1,152	(48)
Administration equipment	11,300	11,300	10,036	(1,264)
Total office of the principal	<u>923,964</u>	<u>918,883</u>	<u>902,759</u>	<u>(16,124)</u>
Fiscal services:				
Supervisor/director	71,717	72,517	66,096	(6,421)
Accountants/bookkeepers	80,891	80,891	73,728	(7,163)
Clerical personnel	22,248	22,248	20,277	(1,971)
Other salaries and wages	1,340	1,340	1,221	(119)
Social security	10,959	11,009	9,295	(1,714)
State retirement	15,593	15,664	14,277	(1,387)
Life insurance	125	125	111	(14)
Medical insurance	53,549	52,254	47,628	(4,626)
Medicare	2,562	2,574	2,174	(400)
Travel	1,000	1,000	-	(1,000)
Other contracted services	5,465	6,150	5,604	(546)
Data processing supplies	3,372	2,829	2,560	(269)
Administration equipment	1,956	1,956	3,271	1,315
Total fiscal services	<u>270,777</u>	<u>270,557</u>	<u>246,242</u>	<u>(24,315)</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Operation of plant:				
Custodial salaries	38,305	39,305	37,400	(1,905)
Other salaries and wages	2,500	2,500	-	(2,500)
Social security	2,530	2,592	2,240	(352)
State retirement	3,612	3,701	2,061	(1,640)
Life insurance	33	33	32	(1)
Medical insurance	6,104	5,962	5,961	(1)
Medicare	592	607	524	(83)
Janitorial services	285,000	302,793	288,449	(14,344)
Maintenance and repairs	500	500	22	(478)
Rental	6,000	6,000	2,272	(3,728)
Custodial supplies	13,000	13,000	6,221	(6,779)
Electricity	419,600	434,429	415,855	(18,574)
Natural gas	50,000	56,000	54,259	(1,741)
Water and sewer	45,000	50,690	45,780	(4,910)
Plant operation equipment	40,000	36,797	34,163	(2,634)
Other charges	2,000	2,000	300	(1,700)
Total operation of plant	<u>914,776</u>	<u>956,909</u>	<u>895,539</u>	<u>(61,370)</u>
Maintenance of plant:				
Supervisor's salary	59,340	59,340	59,340	-
Maintenance personnel	120,108	124,331	122,148	(2,183)
Other salaries	112,810	112,810	90,423	(22,387)
Social security	18,120	18,382	16,365	(2,017)
State retirement	27,756	28,130	21,394	(6,736)
Life insurance	130	130	130	-
Medical insurance	46,360	45,281	45,280	(1)
Medicare	4,238	4,300	3,827	(473)
Communications	2,500	2,500	661	(1,839)
Maintenance and repair - buildings	82,000	118,000	88,626	(29,374)
Maintenance and repair - equipment	35,000	35,000	12,810	(22,190)
Maintenance and repair - vehicles	3,500	3,500	1,288	(2,212)
Other contracted services	33,000	33,000	27,779	(5,221)
Equipment machinery and parts	1,200	1,200	400	(800)
Supplies	2,000	2,000	607	(1,393)
Other charges	40,000	40,000	16,346	(23,654)
Maintenance equipment	15,280	91,570	91,570	-
Total maintenance of plant	<u>603,342</u>	<u>719,474</u>	<u>598,994</u>	<u>(120,480)</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Transportation:				
Bus drivers' salaries	108,000	108,000	101,394	(6,606)
Social security	6,696	6,696	6,251	(445)
Medicare	11,297	11,297	9,686	(1,611)
State retirement	1,566	1,566	1,462	(104)
Contracts with other schools	1,000	1,000	447	(553)
Contracts with public carriers	18,240	11,800	6,000	(5,800)
Maintenance and repair - vehicles	50,000	47,452	34,039	(13,413)
Gasoline	40,000	42,100	41,403	(697)
Tires and tubes	5,000	7,855	7,854	(1)
Other supplies and materials	250	250	195	(55)
Vehicle and equipment insurance	12,100	12,100	11,055	(1,045)
Inservice/staff development	3,000	3,000	197	(2,803)
Other charges	4,000	4,000	2,470	(1,530)
Transportation equipment	-	86,200	86,200	-
Total transportation	261,149	343,316	308,653	(34,663)
Food service:				
Food service equipment	-	636	636	-
Community service:				
Supervisor's salary	12,854	12,854	12,380	(474)
Part-time personnel	30,000	31,100	30,542	(558)
Social security	2,657	2,726	2,661	(65)
State retirement	3,793	3,909	2,793	(1,116)
Medicare	622	638	622	(16)
Maintenance and repair service equipment	-	14,163	11,543	(2,620)
Food supplies	3,500	3,500	3,019	(481)
Other supplies	1,200	1,200	402	(798)
Other charges	500	500	225	(275)
Other equipment	800	16,264	13,516	(2,748)
Total community service	55,926	86,854	77,703	(9,151)
Early childhood education:				
Teachers	163,641	163,641	162,588	(1,053)
Aides	-	750	587	(163)
Certified substitute	1,500	1,500	1,480	(20)
Noncertified substitute teachers	375	375	-	(375)
Social security	10,262	10,309	9,401	(908)
State retirement	17,116	17,139	17,007	(132)
Life insurance	97	97	97	-
Employee insurance - health	50,873	50,581	50,243	(338)
Employer medicare	2,400	2,412	2,199	(213)
Food supplies	3,750	3,750	3,253	(497)
Instructional supplies	3,750	9,518	8,942	(576)
Other equipment	15,500	13,042	9,400	(3,642)
Total early childhood education	269,264	273,114	265,197	(7,917)

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Capital outlay:				
Building improvements	386,535	384,589	63,815	(320,774)
Total expenditures	14,803,522	15,008,117	13,867,730	(1,140,387)
Revenues over (under) expenditures	(1,776,585)	(1,944,002)	(738,853)	1,205,149
Other financing sources (uses)				
Transfers in	1,212,500	1,212,500	1,212,500	-
Net change in fund balance	<u>\$ (564,085)</u>	<u>\$ (731,502)</u>	<u>\$ 473,647</u>	<u>\$ 1,205,149</u>
Reconciliation to Governmental Statement of Revenues, Expenditures and Changes in Fund Balance:				
	<u>Revenues</u>	<u>Expenditures</u>		
State on-behalf payments for postretirement benefits	\$ 56,862	\$ 56,862	-	
Encumbrances - current year	-	(23,179)	23,179	
Encumbrances - prior year	-	127,031	(127,031)	
Debt service - principal on bonds payable	-	450,000	(450,000)	
Debt service - interest on bonds payable	-	118,233	(118,233)	
Transfer in from City General Fund for debt service	568,233	-	568,233	
Net change in fund balance - GAAP basis			\$ 369,795	

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and working funds	\$ 7,005,641
Investments	2,062,679
Accounts receivable (net)	904,083
Other receivables	44,172
Inventories	<u>194,695</u>
Total current assets	10,211,270
Noncurrent assets:	
Restricted cash	53,828
Net pension asset	252,058
Capital assets (net of accumulated depreciation)	
Land	41,628
Utility plant in service	<u>18,481,126</u>
Total noncurrent assets	<u>18,828,640</u>
Total assets	<u>29,039,910</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	226,457
Deferred outflows related to postemployment benefits	<u>4,264</u>
Total deferred outflows of resources	<u>230,721</u>
LIABILITIES	
Current liabilities:	
Accrued payroll	61,730
Compensated absences	35,352
Due to other funds	2,514,669
Sales tax payable	21,588
Customer deposits	<u>180,686</u>
Total current liabilities	2,814,025
Noncurrent liabilities:	
Other postemployment benefit liability	21,120
Debt due within one year	362,316
Debt due in more than one year	<u>4,862,810</u>
Total noncurrent liabilities	<u>5,246,246</u>
Total liabilities	<u>8,060,271</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	214,245
Deferred inflows related to postemployment benefits	<u>25,662</u>
Total deferred inflows of resources	<u>239,907</u>
NET POSITION	
Net investment in capital assets	13,297,628
Restricted - pension asset	252,058
Unrestricted	<u>7,420,767</u>
Total net position	<u>\$ 20,970,453</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
Operating Revenues	
Water revenue	\$ 2,873,960
Sewer revenue	1,732,644
Tap fees	35,137
Forfeited discounts	68,003
Connection fees	118,310
Backflow fees	13,815
Miscellaneous income	34,566
Bad debts	<u>(11,548)</u>
Total operating revenues	<u>4,864,887</u>
Operating Expenses	
Source of supply - water	910,406
Transmission and distribution	773,000
Accounting and collecting	638,849
Sewer treatment	752,359
Depreciation	<u>1,193,070</u>
Total operating expenses	<u>4,267,684</u>
Operating income	<u>597,203</u>
Non-Operating Revenues (Expense)	
Interest income	154,422
Interest expense	<u>(94,520)</u>
Net non-operating revenues (expense)	<u>59,902</u>
Income before transfers and contributions	657,105
Contributed capital - grants	<u>311,960</u>
Change in net position	<u>969,065</u>
Net position - July 1, 2018	<u>20,001,388</u>
Net position - June 30, 2019	<u><u>\$ 20,970,453</u></u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 4,689,985
Cash payments to suppliers for goods and services	(2,008,916)
Cash payments to employees for services	<u>(1,172,099)</u>
Net cash provided by operating activities	<u>1,508,970</u>
Cash flows from non-capital financing activities	
Decrease in due to/due from other funds	<u>928,640</u>
Cash flows from capital and related financing activities	
Additions to utility plant	(1,968,698)
Payments on principal of long-term debt	(360,720)
Interest payments on long-term debt	(98,495)
Capital grant proceeds	<u>311,960</u>
Net cash used by capital and related financing activities	<u>(2,115,953)</u>
Cash flows from investing activities	
Investments purchased	(57,924)
Interest earned on investments	<u>154,422</u>
Net cash provided by investing activities	<u>96,498</u>
Net increase in cash and cash equivalents	418,155
Cash and cash equivalents - July 1, 2018	<u>6,641,314</u>
Cash and cash equivalents - June 30, 2019	<u><u>\$ 7,059,469</u></u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2019

Reconciliation of operating income to cash flows from operating activities:

	<u>Water and Sewer Fund</u>
Cash flows from operating activities	
Operating income	\$ 597,203
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,193,070
Bad debt allowance	11,548
Deferred outflows related to pensions and OPEB	38,397
Deferred inflows related to pensions and OPEB	79,062
(Increase) decrease in operating assets:	
accounts receivable	(198,644)
other receivables	12,194
inventories	(6,117)
net pension asset	(135,927)
Increase (decrease) in operating liabilities:	
customer deposits	1,575
sales tax payable	(8,867)
retainage payable	(75,191)
accrued payroll and related liabilities	18,428
accrued postemployment benefits liability	(17,761)
Total adjustments	<u>911,767</u>
 Net cash provided by operating activities	 <u>\$ 1,508,970</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	<u>Cemetery Private-purpose Trust Fund</u>
ASSETS	
Cash	\$ 224,703
LIABILITIES	<u>-</u>
NET POSITION	
Net position held in trust for cemetery	<u>\$ 224,703</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2019

	<u>Cemetery Private-purpose Trust Fund</u>
Additions	
Sales of cemetery lots	\$ 4,800
Interest earnings	<u>3,042</u>
Total additions	7,842
 Deductions	 <u>-</u>
Change in net position	7,842
Net position - July 1, 2018	<u>216,861</u>
Net position - June 30, 2019	<u><u>\$ 224,703</u></u>

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Union City, Tennessee, was incorporated in the year 1856. The City operates under a Council–Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture/recreation, education, public utilities, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

The financial statements presented include the government and its component units, entities for which the government is considered to be financially accountable.

The Union City Energy Authority is a component unit of the City of Union City, Tennessee, based on the criteria for inclusion in the City’s financial report as defined by the Governmental Accounting Standards Board (GASB). The Mayor and City Council of Union City appoint all four members of the Energy Authority’s board of directors, as well as designate a current City Council member to sit on the Energy Authority’s board as its fifth member. The Mayor and City Council may also remove appointed members of the Energy Authority’s board at will by a two-thirds vote of the City Council. In addition, the Energy Authority does not have any power to dispose of all or substantially all of the electric plant without consent of the Mayor and City Council and approval of a majority of those voting in a referendum in accordance with Tennessee Code Annotated 7-52-132. Management has determined that both of these conditions qualify as the ability of the primary government (City of Union City) to impose its will on the component unit (Union City Energy Authority) as defined in GASB Statement No. 14. Therefore, the Energy Authority should be included in the financial reporting entity of City of Union City as a discretely-presented component unit. A separately issued financial report for Union City Energy Authority is available and may be obtained by contacting the Authority at 312 N. Division Street, Union City, Tennessee 38261, or by writing to P.O. Box 369, Union City, Tennessee 38281.

The City officials are also responsible for appointing the board members of other organizations, but the City’s accountability for these organizations does not extend beyond making the appointments. The City Council appoints the board members of the Industrial Development Board and the Health, Educational, and Housing Facility Board of the City of Union City.

B. Government-wide and Fund 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 non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Discretely presented component units are reported in a separate column of the government-wide financial statements to emphasize that they are legally separate from the primary government. Union City Energy Authority is a major component unit of the City for the year ended June 30, 2019.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and private-purpose trust funds' financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. 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.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, taxes, licenses, federal and state grants, 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.

The City reports the following major governmental funds:

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

The General Purpose School Fund accounts for transactions of the city school system. The major sources of funding are state-shared revenues and local property and sales taxes.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities associated with the water distribution system and the activities associated with the City's collection, transportation, treatment, and disposal of wastewater.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Additionally, the City reports a private-purpose trust fund account for the Union City Perpetual Care Cemetery Board established in 1955. The purpose of the board is to provide for a trust fund out of the sale of cemetery lots for the perpetual maintenance of the City cemeteries and to use the investment income for the perpetual maintenance of those lots.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of tax and other charges between the government's utility division and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be unrestricted demand deposit accounts, working funds, and highly liquid investments with an original maturity of three months or less.

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state-chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Investments for the City are reported at fair value based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Accounts receivable in the proprietary fund results from unpaid billings for service to customers and from unpaid billings related to work performed for or materials sold to certain entities. The City records an allowance for bad debts in the Water and Sewer Fund based on accounts 90 days past due.

Property taxes are levied October 1 of each year and attach as an enforceable lien on property as of January 1. Taxes are collected October 1 through the last day of February and become delinquent on March 1. The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$2.40 per \$100 of assessed valuation for general government services. The City's property tax rate for

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2019 is \$2.12. The City bills and collects its own property taxes, and tax revenues are recognized when levied to the extent that they result in current receivables. The City reports its property tax receivable net of an allowance for doubtful accounts, which estimates uncollectible taxes.

Inventories and Prepaid Items

The City and the Board of Education take a physical count of inventory at fiscal yearend. Actual cost is used to value the inventories of each unit, using the first-in/first-out (FIFO) method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and proprietary fund financial statements.

Restricted Assets

Certain cash and investment balances of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by certain agreements and contracts. Restricted investment accounts for unemployment and equipment replacement have been set up in the Water and Sewer and General Funds. Restricted accounts are also in place for bond retirement in the Water and Sewer Fund.

Capital Assets

Capital assets, including property, plant, vehicles, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment and \$10,000 for land improvements, infrastructure, and buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the City are depreciated using the straight-line method over the asset's estimated useful life. Capital assets are depreciated over the following useful lives:

Buildings	20 - 50 years	Infrastructure	40 years
Improvements	2 - 30 years	Distribution plant	25 - 50 years
Vehicles and equipment	5 - 20 years	Production plant	25 - 50 years
Furniture and fixtures	10 - 20 years	Sewer plant	20 - 40 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to pensions and other postemployment benefits. See Note 5 for details.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

of resources (revenue) until that time. The City has various items that qualify for reporting in this category. Property taxes reported as receivables in the statements of financial position before the period for which they were levied are deferred and recognized as an inflow of resources in the period that the amounts become available. This item is reported as deferred in both the governmental funds balance sheet and the statement of net position. Revenues that do not meet the City's policy for available revenues at the fund level are also reported as deferred inflows of resources in the governmental funds balance sheet. The City has two items reported in this category – state beer taxes and state income taxes. Deferred inflows related to pensions and other postemployment benefits are reported in the statement of net position and are detailed in Note 5.

Compensated Absences

All permanent full-time employees of the City accrue vacation leave that must be taken during the following year. Sick leave is accumulated at one day per month after the first year of employment. The maximum amount of sick leave that can be accumulated is 90 days. At termination, 50% of the accumulated sick leave can be paid to the terminating employee.

Board of Education - Employees are entitled to paid sick days and personal days off depending on job classification, length of service and other factors. Non-certified employees can accumulate up to a maximum of 90 days; no maximum exists for certified employees. All sick and personal days not used are added to the length of service for each employee at retirement.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in governmental activities, business-type activities, and/or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

of the Local Government OPEB Plan, Teacher Group OPEB Plan, and Tennessee Plan administered by the Tennessee Department of Finance and Administration, and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the State. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Plans.

The Board of Education receives on-behalf payments from the State of Tennessee for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as revenue in the general purpose school fund financial statements.

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council by ordinance; removed by the same formal action.
- Assigned – amounts that are designated by the City Council for a particular purpose but are not spendable until there is a majority vote approval by the City Council.
- Unassigned – all amounts in the general fund not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances, before using unassigned fund balances.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities

The financial statements include a reconciliation between *fund balances – total governmental funds* on the governmental balance sheet and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of the \$28,892,969 difference are as follows:

Governmental funds capital assets	\$ 51,777,168
Less: accumulated depreciation	(22,884,199)
Net adjustment	<u>\$ 28,892,969</u>

Another element of that reconciliation explains that the recognition of pension and OPEB expense on the accrual basis includes recognition of pension and OPEB liabilities and assets, as well as related deferred outflows and inflows of resources, in the government-wide statements. The details of this \$640,510 difference are as follows:

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For the Year Ended June 30, 2019

Net pension asset	\$ 1,631,218
Deferred outflows related to pensions	2,456,963
Deferred outflows related to OPEB	144,201
Net pension liability	(197,941)
Other postemployment benefits liability (OPEB)	(1,151,836)
Deferred inflows related to pensions	(1,795,611)
Deferred inflows related to OPEB	(446,484)
Net adjustment	<u>\$ 640,510</u>

The last element of the reconciliation explains that “long-term debt is not due and payable in the current period and, therefore, is not reported in governmental funds.” The details of this \$10,105,455 difference are as follows:

Bonds and notes payable	\$ 9,991,000
Plus issuance premium (to be amortized against interest expense)	<u>103,349</u>
	10,094,349
Compensated absences	<u>11,106</u>
Net adjustment	<u>\$ 10,105,455</u>

B. Reconciliation of net change in fund balances – total governmental funds to change in net position of governmental activities

The financial statements also include a reconciliation between *net change in fund balances – total governmental funds* as reported in the governmental fund statement of revenues, expenditures, and changes in fund balances and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.” The details of this \$179,853 difference are as follows:

Capital outlay	\$ 1,363,425
Depreciation expense	<u>(1,183,572)</u>
Net adjustment	<u>\$ 179,853</u>

The reconciliation also states that while pension contributions are reported as expenditures in governmental funds, pension and OPEB expense in the statement of activities is primarily the result of changes in the components of the pension and OPEB liabilities over current and future periods. The details of this \$1,016,331 difference are as follows:

Pension contributions	\$ 1,023,292
Pension expense, negative	31,644
OPEB contributions, including on-behalf payments	120,915
OPEB expense	<u>(159,520)</u>
Net adjustment	<u>\$ 1,016,331</u>

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For the Year Ended June 30, 2019

The final reconciling item states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.” The details of this \$8,249 difference are as follows:

Amortization of bond premium	\$	11,402
Change in compensated absences		5,147
Change in inventory		(8,300)
Net adjustment	\$	8,249

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. The City Manager is required to submit to the City Council a proposed City budget 90 days prior to the next fiscal year.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The City Manager and School Superintendent are authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any City fund must be approved by the City Council at a public hearing with five days’ notice. The Board of Education must approve revisions in school fund budgets.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, and the Water and Sewer Fund.
5. Budgets for the Board of Education funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and non-cash expenditures, such as on-behalf payments, commodities distributed, and debt payments made by the City of Union City. Encumbrances are included in the budgetary process and are reported as expenditures in the year budgeted in the budget statements. Reconciliations for these differences are included in the school funds’ budget statement and schedules. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbered appropriations for funds do not lapse at the end of the fiscal year.
6. The City’s General Fund and other special revenue funds budget on a cash basis. This basis does not differ materially from the basis of accounting used in the presentation of the governmental fund financial statements.

For the year ended June 30, 2019, the following funds had expenditures in excess of appropriations:

	Final Budget	Actual Expenditures	Expenditures Over Budget
Hotel/Motel Fund	\$ 150,010	\$ 172,699	\$ 22,689
Storm Water Fund	-	3,925	3,925
Solid Waste Fund	1,999,668	2,047,165	47,497

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

NOTE 4 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

As of June 30, 2019, the City's investments included certificates of deposit at local banks, which do not meet the definition of investments for the purposes of investment risk disclosures. These invested funds are reported as restricted assets in the financial statements.

Custodial Credit Risk – State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by eligible collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2019, all deposits, including restricted certificates of deposits, were insured or collateralized.

B. Investments

At June 30, 2019, the City had investment accounts with Raymond James that included U.S. Treasury notes with a fair value of \$4,114,627 and cash and cash alternatives of \$10,730. The total of \$4,125,357 is reported as investments in the financial statements. The U.S. Treasury notes have a Moody's long-term rating of Aaa and the S&P issuer credit rating for the U.S. Government was AA+ with a negative long-term outlook. The notes have a weighted average maturity of 1.81 years. The cash alternative accounts are an on-demand alternative for client cash that is held for future investment and is included in SIPC coverage.

The City has not formally adopted investment policies that limit the City's allowable investments or that address the specific types of risk to which the City is exposed. However, the City limits its investments to those identified as permissible by state statutes for municipalities (see Note 1D).

Fair value measurements – The City categorizes its fair value measurements 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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The U.S. Treasury notes held by the City are valued using evaluations that suggest current estimated market values, which may be matrix- or model-based, and do not necessarily reflect actual trades. These estimates assume normal market conditions and are based on large volume transactions. This valuation technique is categorized as a Level 2 input.

Union City Board of Education is a member of the TCRS Stabilization Reserve Trust (see Note 5C). The Board has placed funds into this irrevocable trust, which are reported as a restricted investment in the statements of financial position.

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

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of realized and unrealized appreciation/depreciation in the fair value of the securities, and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of the 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; therefore, 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 in order to be presented in the table below.

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

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

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

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

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For 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 reported using non-GAAP standards, the investment was valued using the same method but was classified in Level 3.

At June 30, 2019, Union City Board of Education had the following investments held by the Trust on its behalf.

Investment	Fair Value	Fair Value Measurements			Amortized Cost
		Level 1	Level 2	Level 3	NAV
U.S. equity	\$ 6,435	\$ 6,435	\$ -	\$ -	\$ -
Developed market international equity	2,906	2,906	-	-	-
Emerging market international equity	830	830	-	-	-
U.S. fixed income	4,151	-	4,151	-	-
Real estate	2,076	-	-	2,076	-
Short-term securities	208	-	208	-	-
Private equity and strategic lending	4,151	-	-	-	4,151
Total	\$20,757	\$ 10,171	\$ 4,359	\$ 2,076	\$ 4,151

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. Union City Board of Education 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. Union City Board of Education 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 Board's investment in a single issuer. Union City Board of Education does not have the ability to limit the amount the Trust may invest in one issuer.

Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Board 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 Union City Board of Education to pay retirement benefits of the Board employees.

C. Receivables

Receivables as of June 30, 2019, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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For the Year Ended June 30, 2019

	General	General Purpose School Fund	Water and Sewer	Nonmajor Funds	Total
Property taxes	\$ 5,313,952	\$ -	\$ -	\$ -	\$ 5,313,952
Accounts	-	4,809	1,143,440	81,333	1,229,582
Sales tax	897,887	296,385	-	-	1,194,272
Other	388,321	43,590	44,172	-	476,083
Total receivables	6,600,160	344,784	1,187,612	81,333	8,213,889
Allowance for uncollectibles	(694,043)	-	(239,357)	-	(933,400)
Net receivables	<u>\$ 5,906,117</u>	<u>\$ 344,784</u>	<u>\$ 948,255</u>	<u>\$ 81,333</u>	<u>\$ 7,280,489</u>

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,607,011	\$ -	\$ -	\$ 3,607,011
Construction in progress	2,206,184	144,286	(1,812,716)	537,754
Total not being depreciated	<u>5,813,195</u>	<u>144,286</u>	<u>(1,812,716)</u>	<u>4,144,765</u>
Capital assets, being depreciated				
Buildings	27,034,827	-	-	27,034,827
Parks and recreation	3,578,405	2,055,139	-	5,633,544
Vehicles and equipment	9,097,327	359,007	(224,221)	9,232,113
Infrastructure	5,114,209	617,708	-	5,731,917
Total being depreciated	<u>44,824,768</u>	<u>3,031,854</u>	<u>(224,221)</u>	<u>47,632,401</u>
Less accumulated depreciation for:				
Buildings	10,602,703	547,754	-	11,150,457
Parks and recreation	2,193,513	76,105	-	2,269,618
Vehicles and equipment	7,248,213	395,478	(217,859)	7,425,832
Infrastructure	1,874,055	164,235	-	2,038,290
Total accumulated depreciation	<u>21,918,484</u>	<u>1,183,572</u>	<u>(217,859)</u>	<u>22,884,197</u>
Net capital assets being depreciated	<u>22,906,284</u>	<u>1,848,282</u>	<u>(6,362)</u>	<u>24,748,204</u>
Governmental activities, net	<u>\$ 28,719,479</u>	<u>\$ 1,992,568</u>	<u>\$ (1,819,078)</u>	<u>\$ 28,892,969</u>

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

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

Financial administration	\$	33,854
Planning and code enforcement		4,991
Public safety		206,240
Street department		187,260
Recreation		137,093
Public works		21,329
Education		592,805
Total depreciation expense - governmental activities	\$	1,183,572

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 41,628	\$ -	\$ -	\$ 41,628
Capital assets, being depreciated				
Production plant	8,132,578	-	-	8,132,578
Distribution plant	18,136,240	1,721,703	-	19,857,943
Sewer plant	17,496,845	246,995	-	17,743,840
Other capital assets	1,565,824	-	-	1,565,824
Total being depreciated	45,331,487	1,968,698	-	47,300,185
Less accumulated depreciation for:				
Production plant	5,440,233	236,414	-	5,676,647
Distribution plant	8,370,233	516,557	-	8,886,790
Sewer plant	12,732,099	400,614	-	13,132,713
Other capital assets	1,083,424	39,485	-	1,122,909
Total accumulated depreciation	27,625,989	1,193,070	-	28,819,059
Net capital assets being depreciated	17,705,498	775,628	-	18,481,126
Business-type activities, net	\$ 17,747,126	\$ 775,628	\$ -	\$ 18,522,754

E. Long-Term Debt

General Obligation Bonds, Series 2016 – On July 22, 2016, the City of Union City issued \$5,950,000 in General Obligation Bonds, Series 2016, with \$3,575,000 supported by the General Fund, \$460,000 supported by Stormwater funds within the General Fund, and \$1,915,000 to the Water and Sewer Fund for water and sewer improvements. The bonds are scheduled to be paid with semi-annual interest payments on June 1 and December 1 of each year beginning December 1, 2016, and annual principal payments due June 1 of each year, beginning on June 1, 2018. Interest is fixed at rates ranging from 2% to 2.5%. The balance outstanding at June 30, 2019 for governmental activities was \$3,680,000 and for business-type activities was \$1,745,000.

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

General Obligation Bonds, Series 2013A and 2013B – On June 28, 2013, the City of Union City issued \$3,260,000 in General Obligation Bonds, Series 2013A, with \$1,300,000 allocated to the General Fund for Discovery Park expenditures and \$1,960,000 to the Water and Sewer Fund for water and sewer improvements. Also issued on that date were General Obligation Bonds, Series 2013B (federally taxable), for \$2,490,000 to refund \$2,440,000 in capital outlay notes and \$50,000 to finance additional industrial park expenditures. The bonds are scheduled to be paid with semi-annual interest payments on June 1 and December 1 of each year and annual principal payments due June 1 of each year. Interest is fixed at rates ranging from 2% to 4.5%. Outstanding balances at June 30, 2019, were \$2,890,000 attributable to governmental activities and \$1,145,000 for business-type.

Refunding Bonds, Series 2009 – On February 27, 2009, the \$6,625,000 General Obligation Refunding Bonds, Series 2009, of the City of Union City were issued to provide funds to refund on a current basis the remaining balance of the City’s outstanding loan agreement dated October 1, 2000. The refunding bonds are payable with semi-annual interest payments on June 1 and December 1 of each year and annual principal payments due June 1 of each year. Interest is fixed at rates ranging from 2.5% initially up to 4%. The outstanding balance at June 30, 2019, was \$2,525,000.

General Obligation Capital Outlay Note, Series 2017 – On February 24, 2016, the City executed a capital outlay note for \$1,050,000 through the Tennessee Municipal Bond Fund Alternative Loan Program. The note is payable in annual principal payments on February 1 of each year beginning in 2018 and interest payable semiannually on August 1 and February 1 of each year beginning on August 1, 2017. The note matures February 1, 2029. Interest is fixed at 2.7781%. The outstanding balance at June 30, 2019, was \$896,000.

State Revolving Fund (SRF) Loan – This loan was obtained to finance renovations at the wastewater treatment plant. The loan has an interest rate of 1.17% and requires monthly payments of \$13,617 over 20 years plus a .08% administrative fee. The final payment is due in October 2034. The balance outstanding as of June 30, 2019, was \$2,281,524.

A summary of estimated debt service requirements for the City is shown below:

Year Ending June 30,	Governmental Activities		Business-type Activities			
	Bonds		Bonds		Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 929,000	\$ 305,115	\$ 225,000	\$ 66,310	\$ 137,316	\$ 26,088
2021	951,000	275,620	230,000	61,810	138,936	24,468
2022	978,000	245,070	230,000	56,930	140,568	22,836
2023	1,006,000	213,269	230,000	51,770	142,224	21,180
2024	1,033,000	180,092	200,000	46,400	143,892	19,512
2025-2029	3,179,000	535,807	980,000	154,889	745,248	71,772
2030-2034	1,410,000	149,688	555,000	66,051	790,128	26,892
2035-2036	505,000	18,688	240,000	8,850	43,212	151
Total	<u>\$ 9,991,000</u>	<u>\$ 1,923,349</u>	<u>\$ 2,890,000</u>	<u>\$ 513,010</u>	<u>\$ 2,281,524</u>	<u>\$ 212,899</u>

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For the Year Ended June 30, 2019

Changes in long-term liabilities for the year ended June 30, 2019, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
2017 Capital outlay note	\$ 973,000	\$ -	\$ 77,000	\$ 896,000	\$ 79,000
2016 Bond issue	3,860,000	-	180,000	3,680,000	185,000
2009 Refunding bonds	2,975,000	-	450,000	2,525,000	465,000
2013 Bond issue	3,090,000	-	200,000	2,890,000	200,000
Bond premiums	114,750	-	11,402	103,349	n/a
Compensated absences	16,253	-	5,147	11,106	n/a
Totals	<u>\$ 11,029,003</u>	<u>\$ -</u>	<u>\$ 923,549</u>	<u>\$ 10,105,455</u>	<u>\$ 929,000</u>
Business-type activities:					
2016 Bond issue	\$ 1,830,000	\$ -	\$ 85,000	\$ 1,745,000	\$ 85,000
2013 Bond issue	1,285,000	-	140,000	1,145,000	140,000
SRF loan	2,417,244	-	135,720	2,281,524	137,316
Bond premium	57,577	-	3,975	53,602	n/a
Compensated absences	32,251	3,101	-	35,352	35,352
Totals	<u>\$ 5,622,072</u>	<u>\$ 3,101</u>	<u>\$ 364,695</u>	<u>\$ 5,260,478</u>	<u>\$ 397,668</u>

The liability for governmental compensated absences is fully liquidated by the General Fund.

F. Fund Balances and Net Position

The City has categorized governmental spendable fund balances as follows:

	General Fund	Gen. Purpose School Fund	Nonmajor Funds
Restricted:			
Education	\$ -	\$ 3,061,261	\$ 498,322
Hotel/Motel Tax	-	-	4,423
State Street Aid	-	-	107,684
Drug Fund	-	-	50,793
Solid waste revenue	-	-	356,213
Storm water assessments	-	-	315,592
Total restricted	<u>\$ -</u>	<u>\$ 3,061,261</u>	<u>\$ 1,333,027</u>
Committed:			
Rural Fire	\$ 47,734	\$ -	\$ -
Unemployment	87,280	-	-
Drug Deterrence	4,553	-	-
Police Education	3,275	-	-
Speed and Red Light Enforcement	-	-	338,255
Total committed	<u>\$ 142,842</u>	<u>\$ -</u>	<u>\$ 338,255</u>
Assigned for next year's budget	<u>\$ 2,380,032</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

In addition to the above items, the government-wide statement of net position has restricted an additional \$36,074 for school food service inventory and \$1,631,218 for net pension assets.

G. Interfund receivables, payables, and transfers

Interfund balances and transfers as of and for the year ended June 30, 2019, were as follows:

Receivable/Transfer In	Payable/Transfer Out	Amount
Solid Waste (nonmajor)	Water and Sewer (major)	\$ 637,383
Storm Water (nonmajor)	Water and Sewer (major)	142,297
General (major)	Water and Sewer (major)	<u>1,734,989</u>
		2,514,669
State Street Aid (nonmajor)	General (major)	34,081
Hotel/Motel (nonmajor)	Drug Enforcement (nonmajor)	565
General (major)	Solid Waste (nonmajor)	<u>737,455</u>
Total interfund receivables/payables		<u>\$ 3,286,770</u>
General Purpose School (major)	General (major)	\$ 1,212,500
General Purpose School (major)	General (major)	<u>568,233</u>
Total interfund transfers		<u>\$ 1,780,733</u>

The balance due from the Water and Sewer fund to the Solid Waste fund is related to payments for trash collection from customers deposited into the Water and Sewer fund initially. The remaining balances involve payments made by one fund attributable to the operations of the payable fund.

The transfers between the General Fund and General Purpose School Fund include an annual, recurring, budgeted transfer of \$1,212,500 plus debt service payments on school bonds made by the City each year.

H. Tax Abatements

The City uses property tax abatement agreements with local businesses to encourage economic development in the area. For the year ended June 30, 2019, the following agreements were in place:

Company	Terms of Agreement		Amount of Tax Abated for the Year Ended June 30, 2019
	Type of Tax	Amount	
MIA Seating Corporation	Real and personal property taxes	25% paid 2019–2023	\$39,896 real property
		50% paid 2024–2028	\$15,000 personal property
	75% paid 2029–2033		
	City of Union City pays \$162,500 annually towards MIA building loan through 2023.		
Greenfield Products, Inc.	Real property taxes	75% paid 2018–2022	\$25,367 real property
Tyson Foods	Real and personal property taxes	0% paid 1997–2022	\$116,752 real property
			\$40,000 personal property
Institutional Casework, Inc.	Real and personal property taxes	0% paid 2016–2025	\$25,772 real property
			\$12,000 personal property
Williams Food Works	Real and personal property taxes	0% paid 2017-2027 50% paid 2028-2033	Waiting on State assessment

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

NOTE 5 – OTHER INFORMATION

A. Risk Management

The City (including the Board of Education) joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee. The City and the Board pay annual premiums to TML for general liability, law enforcement liability, educator's liability, errors or omissions liability, automobile liability and auto physical damage, worker's compensation, and property insurance. As of July 1, 1996, the TML can no longer assess additional amounts to members. The TML reinsures through commercial insurance companies for claims in excess of \$250,000 for workers' compensation, \$500,000 for liability and \$50,000 for property. The City and Board of Education continue to carry commercial insurance for all other risks of loss. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Litigation

The City is a defendant in lawsuits and other claims that occur in the ordinary course of City operations. Management is of the opinion that such lawsuits and claims do not meet the criteria for accruing a loss contingency as of June 30, 2019.

C. Retirement Plans

General Information about the Public Employee Retirement Plan

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

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the

CITY OF UNION CITY, TENNESSEE
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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:

	City	BOE
Inactive employees or beneficiaries currently receiving benefits	79	54
Inactive employees entitled to but not yet receiving benefits	81	51
Active employees	124	65
	284	170

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. City of Union City and Union City Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the employer contributions for City of Union City were \$241,726 based on a rate of 4.21 percent of covered payroll and employer contributions for Union City Board of Education were \$122,417 based on a rate of 8.85 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City of Union City’s and Union City Board of Education’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

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

Actuarial Assumptions.

The total pension liability in the June 30, 2018, actuarial valuations for all TCRS retirement plans was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 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.

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For the Year Ended June 30, 2019

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

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

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

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability 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:

Net pension liability (asset) attributable to:	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City of Union City	\$2,270,117	\$(1,201,973)	\$(4,114,174)
Union City Board of Education	927,949	197,941	(411,778)

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<u>City of Union City</u>	(a)	(b)	(a) – (b)
Balance at 6/30/17	\$ 28,504,000	\$ 28,954,050	\$ (450,050)
Changes for the year:			
Service cost	545,809	-	545,809
Interest	2,051,977	-	2,051,977
Differences between expected and actual experience	(500,846)	-	(500,846)
Changes in assumptions	-	-	-
Contributions-employer	-	211,946	(211,946)
Contributions-employees	-	287,190	(287,190)
Net investment income	-	2,361,602	(2,361,602)
Benefit payments, including refunds of employee contributions	(1,493,354)	(1,493,354)	-
Administrative expense	-	(11,875)	11,875
Other changes	-	-	-
Net changes	603,586	1,355,509	(751,923)
Balance at 6/30/18	<u>\$ 29,107,586</u>	<u>\$ 30,309,559</u>	<u>\$ (1,201,973)</u>
<u>Board of Education</u>			
Balance at 6/30/17	\$ 5,533,849	\$ 5,264,392	\$ 269,457
Changes for the year:			
Service cost	135,698	-	135,698
Interest	402,532	-	402,532
Differences between expected and actual experience	29,852	-	29,852
Changes in assumptions	-	-	-
Contributions – employer	-	133,867	(133,867)
Contributions – employees	-	75,634	(75,634)
Net investment income	-	435,695	(435,695)
Benefit payments, including refunds of employee contributions	(234,769)	(234,769)	-
Administrative expense	-	(5,598)	5,598
Other changes	-	-	-
Net changes	333,313	404,829	(71,516)
Balance at 6/30/18	<u>\$ 5,867,162</u>	<u>\$ 5,669,221</u>	<u>\$ 197,941</u>

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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

For the year ended June 30, 2019, City of Union City recognized pension expense of \$26,748 and Union City Board of Education recognized pension expense of \$70,655.

Deferred outflows of resources and deferred inflows of resources reported in the June 30, 2019, financial statements related to the Public Employee Retirement Plan were from the following sources:

	City of Union City		UC Board of Education	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 417,621	\$ 825,829	\$ 23,882	\$ 48,614
Net difference between projected and actual earnings on pension plan investments	-	98,261	-	22,335
Changes in assumptions	463,962	-	66,557	-
Contributions subsequent to the measurement date of June 30, 2018	241,726	-	122,417	-
Total	\$ 1,123,309	\$ 924,090	\$ 212,856	\$ 70,949

The amounts 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following measurement periods:

Year Ending June 30:	
2019	\$214,958
2020	84,213
2021	(277,567)
2022	38,854
2023	(83,475)

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

General Information about the Teacher Legacy Pension Plan

Plan description. Teachers with membership in the TCRS before July 1, 2014 of Union City Schools 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.

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 65 with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and service credit. Benefits are determined

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by a formula using the member's highest five consecutive year average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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 LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Union City Schools for the year ended June 30, 2019, to the Teacher Legacy Pension Plan were \$666,458 which is 10.46 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability

Pension liabilities. At June 30, 2019, the Union City Schools reported an asset of \$635,166 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date (see assumptions in previous plan disclosures). Union City Schools' proportion of the net pension liability (asset) was based on Union City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, Union City Schools' proportion was 0.180501 percent. The proportion measured as of June 30, 2017, was 0.179229 percent.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate. The following presents Union City Schools' proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what Union City Schools' proportionate share of the net pension liability 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Union City Schools' proportionate share of the net pension liability (asset)	\$ 4,896,260	\$ (635,166)	\$ (5,211,651)

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

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

Pension expense. For the year ended June 30, 2019, Union City Schools recognized negative pension expense of \$140,525 for the Legacy Plan.

Deferred outflows of resources and deferred inflows of resources. As of June 30, 2019, Union City Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 128,389	\$ 856,889
Changes in assumptions	375,132	-
Net difference between projected and actual earnings on pension plan investments	-	138,239
Changes in proportion of net pension liability (asset)	145,001	15,245
LEA's contributions subsequent to the measurement date of June 30, 2018	666,458	<i>(not applicable)</i>
Total	\$ 1,314,980	\$ 1,010,373

Union City Schools' employer contributions of \$666,458, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in the net pension asset in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following measurement periods:

Year Ending June 30:	
2019	\$ 172,230
2020	(161,547)
2021	(314,679)
2022	(57,855)

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

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

General Information about the Teacher Retirement Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Union City Schools 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

CITY OF UNION CITY, TENNESSEE
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providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing, multiple-employer defined benefit pension plan.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at 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 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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 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 for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. 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 \$19,438, which is 1.94 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities

Pension liabilities. At June 30, 2019, the Union City Schools reported an asset of \$46,137 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date (see assumptions in previous plan disclosures). Union City Schools' proportion of the net pension asset was based on Union City Schools' share of contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2018, Union City Schools' proportion was 0.101729 percent. The proportion measured as of June 30, 2017, was 0.114581 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
Union City Schools' proportionate share of the net pension liability (asset)	\$ 7,133	\$ (46,137)	\$ (85,384)

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

Pension expense. For the year ended June 30, 2019, Union City Schools recognized pension expense of \$16,426.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Union City Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Retirement Plan from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 2,613	\$ 1,838
Changes in assumptions	2,177	-
Net difference between projected and actual earnings on pension plan investments	-	2,606
Changes in proportion of net pension asset	8,047	-
LEA's contributions subsequent to the measurement date of June 30, 2018	19,438	<i>(not applicable)</i>
Total	\$ 32,275	\$ 4,444

Union City Schools' employer contributions of \$19,438, 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 measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following measurement periods:

Year Ending June 30:	
2019	\$ 332
2020	250
2021	(122)
2022	559
2023	907
Thereafter	6,467

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

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

Defined Contribution Plan

The Teacher Retirement Plan is a hybrid plan that consists of a defined benefit plan plus a defined contribution plan. 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. Employers contribute 4 percent of payroll to the defined benefit component and 5 percent of payroll to the defined contribution component, for an aggregate employer contribution of 9 percent. Employees may elect to defer a percentage of their salary into the plan. Defined contribution plan amounts are deposited into the State's 401(k) plan, where the employee manages the investments. Employees immediately vest in both the employee and employer contributions to the defined contribution plan. Future employer contributions may be decreased as part of the cost controls for the defined benefit portion of the plan. The Board contributed \$49,532 for the fiscal year ended June 30, 2019, equal to five percent of covered payroll.

TCRS Stabilization Trust

Union City Schools is a member of the TCRS Stabilization Reserve Trust. Union City Schools has placed funds into this irrevocable trust as authorized by statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37, in conjunction with its participation in the Teachers Retirement Plan disclosed above. The statute further provides that employer contributions in excess of the actuarially determined contribution rate for the Teachers Retirement Plan be deposited into a stabilization reserve for the plan. The Board of Trustees may adopt a policy to suspend the deposits into the stabilization reserve in any given year when the reserve reaches a certain level. If deposits are suspended, then the employer contribution will be the actuarially determined contribution rate for that year, rather than the 4 percent minimum rate required by state statute. For the year ended June 30, 2019, Union City Schools paid an additional amount to TCRS of \$19,730 or 2.06% of covered payroll, which is the difference between the 4 percent minimum contribution rate established and the 1.94% allocated as employer contributions to the pension plan for the current year. According to the Tennessee Comptroller of the Treasury in a memo dated September 23, 2019, since the assets in the Trust are not used to pay current retirement benefits, amounts paid into the Trust should be reported in the accompanying financial statements as a restricted asset rather than pension contributions. Union City Schools has also recognized its share of investment income on amounts invested.

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 Union City Schools.

The Trust is authorized to make investments as directed by the TCRS Board of Trustees. Union City Schools may not impose any restrictions on investments placed by the Trust on their behalf. For further information concerning Union City Schools' investments with the TCRS Stabilization Reserve Trust, audited financial statements of TCRS may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf>.

Total Pension Expense

Total pension expense in the aggregate under all plans for the year ended June 30, 2019, was \$22,836 and is reported in the statement of activities in functional expenses.

CITY OF UNION CITY, TENNESSEE
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D. Other Postemployment Benefits

General Information about the Teacher Group OPEB Plan

Plan description. Employees of Union City Board of Education who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). 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 employees that were hired on or after July 1, 2015.

The Tennessee Department of Finance and Administration issues a publicly available financial report that can be obtained by writing to Tennessee Department of Financial and Administration, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or it may be found at the Tennessee Department of Finance and Administration website at www.tn.gov.

Benefits provided. Union City Board of Education offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff, and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO, or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the TGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Union City Board of Education does not directly subsidize their pre-65 retiree insurance premiums and, therefore, are only subject to the implicit subsidy. The State, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of service. Therefore, retirees with (a) 30 or more years of service will receive 45%; (b) 20 but less than 30 years of service – 35%; and (c) less than 20 years of service – 20%, 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 the measurement date of July 1, 2018, the following employees were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>171</u>
Total	<u>178</u>

An insurance committee created in accordance with TCA 8-27-301 establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, Union City Board of Education paid \$56,639 to the TGOP for OPEB benefits as they came due.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Total OPEB Liability

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 from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75 percent for 2019, decreasing annually to an ultimate rate of 3.85 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, 2018, valuation were the same as those employed in the July 1, 2018, 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 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate. The discount rate used to measure the total OPEB liability was 3.62 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 collective total OPEB liability

Balance at 6/30/17	<u>\$ 1,638,246</u>
Changes for the year:	
Service cost	97,723
Interest	60,283
Changes in benefit terms	-
Differences between expected and actual experience	(441,234)
Changes in assumptions	48,389
Benefit payments	(85,270)
Other changes	-
Net changes	<u>(320,109)</u>
Balance at 6/30/18	<u>\$ 1,318,137</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 421,230
Employer's proportionate share of the collective total OPEB liability	896,908
Employer's proportion of the collective total OPEB liability	68.04%

Union City Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Union City Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 2.24% from the prior measurement date. Union City Board of Education recognized \$34,096 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Union City Board of Education 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.

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:

Proportionate share of collective total OPEB liability using:

1% decrease in discount rate	2.62%	\$ 965,916
Current discount rate	3.62%	\$ 896,908
1% increase in discount rate	4.62%	\$ 831,724

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rates. The following presents the proportionate share of the collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Proportionate share of collective total OPEB liability using:

1% decrease in healthcare cost trend rates	5.75% decreasing to 2.85%	\$ 790,374
Current healthcare cost trend rates	6.75% decreasing to 3.85%	\$ 896,908
1% increase in healthcare cost trend rates	7.75% decreasing to 4.85%	\$1,024,675

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

For the year ended June 30, 2019, Union City Board of Education recognized OPEB expense of \$116,910. At June 30, 2019, Union City Board of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 274,349
Changes in assumptions	30,088	45,262
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of amounts paid by the employer and nonemployer contributors as the benefits came due	34,602	-
Employer payments subsequent to the measurement date	56,639	-
Total	\$ 121,329	\$ 319,611

The amount reported above as deferred outflows of resources related to OPEB resulting from employer payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the following measurement periods:

June 30, 2019	\$ (24,700)
2020	(24,700)
2021	(24,700)
2022	(24,700)
2023	(24,700)
Thereafter	(131,421)

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

General Information about the Tennessee Plan

Plan description. Employees of Union City Board of Education who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). All eligible post-65 retired teachers and disability participants of local education agencies who choose coverage participate in the TNP. This plan is closed to employees that were hired on or after July 1, 2015.

The Tennessee Department of Finance and Administration issues a publicly available financial report that can be obtained by writing to Tennessee Department of Financial and Administration, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or it may be found at the Tennessee Department of Finance and Administration website at www.tn.gov.

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. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation between the 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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

reached the age of 65, are Medicare eligible, and also receive 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. Union City Board of Education does not directly subsidize their post-65 retiree insurance premiums. 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 (a) 30 years of service receive \$50 per month; (b) 20 years of service but less than 30 – \$37.50; and (c) 15 years of service but less than 20 – \$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 the measurement date of July 1, 2018, the following employees were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>119</u>
Total	<u>202</u>

In accordance with TCA 8-27-209, the State insurance committees established by TCA 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, Union City Board of Education did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

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 from 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, 2018, valuation were the same as those employed in the July 1, 2018, 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 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate. The discount rate used to measure the total OPEB liability was 3.62 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 collective total OPEB liability

Balance at 6/30/17	\$ 592,159
Changes for the year:	
Service cost	7,760
Interest	20,737
Changes in benefit terms	-
Differences between expected and actual experience	140,616
Changes in assumptions	(5,404)
Benefit payments	(34,832)
Other changes	-
Net changes	128,877
Balance at 6/30/18	\$ 721,036
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 721,036
Employer's proportionate share of the collective total OPEB liability	-
Employer's proportion of the collective total OPEB liability	0%

Union City Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Union City Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion of 0% did not change from the prior measurement date. Union City Board of Education recognized \$40,219 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Union City Board of Education 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/Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, Union City Board of Education recognized OPEB expense of \$40,219.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

General Information about the Local Government OPEB Plan

Plan description. Employees of City of Union City are provided with pre-65 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 a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). All eligible pre-65 retired employees and disability participants of local governments who choose coverage participate in the LGOP.

The Tennessee Department of Finance and Administration issues a publicly available financial report that can be obtained by writing to Tennessee Department of Financial and Administration, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or it may be found at the Tennessee Department of Finance and Administration website at www.tn.gov.

Benefits provided. City of Union 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 TCA 8-27-701 establishes 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 healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. City of Union City does not directly subsidize their pre-65 retiree insurance premiums and, therefore, are only subject to the implicit subsidy. 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 the measurement date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	127
Total employees	129

An insurance committee created in accordance with TCA 8-27-701 establishes 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, City of Union City paid \$13,024 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

At June 30, 2019, City of Union City reported a liability of \$276,048 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2018, determined by an actuarial valuation as of that date.

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
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CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75 percent for 2019, decreasing annually 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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuation were the same as those employed in the July 1, 2018, 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 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate. The discount rate used to measure the total OPEB liability was 3.62 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 6/30/17	\$ 376,867
Changes for the year:	
Service cost	29,489
Interest	14,341
Changes in benefit terms	-
Differences between expected and actual experience	(153,269)
Changes in assumptions	15,698
Benefit payments	(7,078)
Other changes	-
Net changes	(100,819)
Balance at 6/30/18	\$ 276,048

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.

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	Rate	Liability
1% decrease	2.62%	\$ 297,319
Current rate	3.62%	\$ 276,048
1% increase	4.62%	\$ 256,004

Sensitivity of total OPEB liability to changes in the healthcare cost trend rates. 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Rates	Liability
1% decrease	5.75% decreasing to 2.81%	\$ 244,121
Current rates	6.75% decreasing to 3.81%	\$ 276,048
1% increase	7.75% decreasing to 4.81%	\$ 313,808

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

OPEB expense. For the year ended June 30, 2019, City of Union City recognized OPEB expense of \$28,112.

Deferred Outflows of Resources, and Deferred Inflows of Resources. At June 30, 2019, City of Union City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 137,787
Changes in assumptions	14,112	14,748
Employer payments subsequent to the measurement date	13,024	-
Total	\$ 27,136	\$ 152,535

The amount reported above as deferred outflows of resources related to OPEB resulting from employer payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the June 30, 2019, measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the following measurement periods:

June 30, 2019	\$ (15,717)
2020	(15,717)
2021	(15,717)
2022	(15,717)
2023	(15,717)
Thereafter	(59,838)

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Total Other Postemployment Benefits Expense

Total OPEB expense in the aggregate under all plans for the year ended June 30, 2019, was \$185,241 and is reported in the statement of activities in functional expenses.

E. Discretely Presented Component Unit

The Union City Energy Authority (UCEA) was formed January 1, 2018, and is considered a discretely presented component unit of the City of Union City. Following are condensed financial statements for the current year. Complete financial statements can be obtained by contacting the Authority at 312 N. Division Street, Union City, Tennessee 38261, or by writing to P.O. Box 369, Union City, Tennessee 38281.

Condensed Statement of Net Position

Cash and other current assets		\$ 9,933,964
Capital assets, net		19,542,348
Other assets		1,065,035
Total assets		30,541,347
Total deferred outflows of resources		527,931
Current liabilities	\$ (4,808,832)	
Long-term liabilities	(1,792,286)	
Total liabilities		(6,601,118)
Deferred inflows of resources		(70,148)
Net position		\$ 24,398,012

Condensed Statement of Activities

Charges for services		\$ 26,762,515
Grants and contributions		-
General revenues		137,441
Total program revenues		26,899,956
Expenses		
Purchased power	\$(21,374,108)	
Depreciation	(1,336,533)	
Other operating expenses	(3,276,972)	
Total expenses		(25,987,613)
Change in net position		\$ 912,343

F. Subsequent Events

The City has entered into an agreement dated July 8, 2019, for a \$6 million loan for energy efficiency improvements at all three City schools. The loan is to be repaid using Board of Education funds.

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Schedule of Changes in City of Union City's
Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Plan Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 435,028	\$ 388,412	\$ 417,977	\$ 485,185	\$ 545,809
Interest	1,792,275	1,815,178	1,920,985	1,957,386	2,051,977
Changes in benefit terms	-	-	-	-	-
Differences in actual and expected experience	(671,601)	398,817	(593,052)	427,026	(500,846)
Change of assumptions	-	-	-	695,942	-
Benefit payments, incl. refunds	(1,270,878)	(1,136,536)	(1,305,897)	(1,349,655)	(1,493,354)
Net change	284,824	1,465,871	440,013	2,215,884	603,586
Total pension liability – beginning	24,097,408	24,382,232	25,848,103	26,288,116	28,504,000
Total pension liability – ending	<u>24,382,232</u>	<u>25,848,103</u>	<u>26,288,116</u>	<u>28,504,000</u>	<u>29,107,586</u>
Plan fiduciary net position					
Contributions – employer	532,097	279,434	285,517	202,474	211,946
Contributions – employee	247,696	253,597	258,066	271,966	287,190
Net investment income	3,838,804	813,306	703,658	2,992,039	2,361,602
Benefit payments, incl. refunds	(1,270,878)	(1,136,536)	(1,305,897)	(1,349,655)	(1,493,354)
Administrative expense	(5,593)	(5,896)	(9,121)	(10,421)	(11,875)
Net change	3,342,126	203,905	(67,777)	2,106,403)	1,355,509
Plan fiduciary net position – beg.	23,369,393	26,711,519	26,915,424	26,847,647	28,954,050
Plan fiduciary net position – ending	<u>26,711,519</u>	<u>26,915,424</u>	<u>26,847,647</u>	<u>28,954,050</u>	<u>30,309,559</u>
Net pension liability (asset)	<u>\$ (2,329,287)</u>	<u>\$ (1,067,321)</u>	<u>\$ (559,531)</u>	<u>\$ (450,050)</u>	<u>\$ (1,201,973)</u>
Plan fiduciary net position as a percentage of total pension liability	109.55%	104.13%	102.13%	101.58%	104.13%
Covered payroll	\$ 4,935,968	\$ 5,025,794	\$ 5,135,185	\$ 5,428,254	\$ 5,743,765
Net pension liability (asset) as a percentage of covered payroll	(47.19)%	(21.24)%	(10.90)%	(8.29)%	(20.93)%

Notes to Schedule:

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

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Schedule of City of Union City's
Contributions Based on Participation in the
Public Employee Pension Plan of TCRS
Fiscal Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contributions	\$ 532,097	\$ 279,434	\$ 285,517	\$ 202,474	\$ 211,946
Contributions in relation to the actuarially determined contribution	<u>532,097</u>	<u>279,434</u>	<u>285,517</u>	<u>202,474</u>	<u>211,946</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,935,968	\$ 5,025,794	\$ 5,135,185	\$ 5,428,254	\$ 5,743,765
Contributions as a percentage of covered payroll	10.78%	5.56%	5.56%	3.73%	3.69%
	<u>2019</u>				
Actuarially determined contributions	\$ 241,726				
Contributions in relation to the actuarially determined contribution	<u>241,726</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 5,742,754				
Contributions as a percentage of covered payroll	4.21%				

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period, by tiers	18 years for June 30, 2015, actuarial valuation 19 years for June 30, 2016, actuarial valuation 20 years for June 30, 2017, actuarial valuation
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

Changes in assumptions. The above assumptions included changes from the prior year as follows: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

**Schedule of Changes in Union City Board of Education's
Net Pension Liability and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS**
Plan Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 102,261	\$ 116,659	\$ 127,867	\$ 135,108	\$ 135,698
Interest	333,366	361,757	370,585	387,728	402,532
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	138,805	(155,749)	(36,118)	(5,033)	29,852
Change of assumptions	-	-	-	110,929	-
Benefit payments, including refunds of employee contributions	(211,294)	(209,280)	(223,041)	(258,964)	(234,769)
Net change	363,138	113,387	239,293	369,768	333,313
Total pension liability – beginning	4,448,263	4,811,401	4,924,788	5,164,081	5,533,849
Total pension liability – ending	4,811,401	4,924,788	5,164,081	5,533,849	5,867,162
Plan fiduciary net position					
Contributions – employer	100,408	113,671	121,797	134,547	133,867
Contributions – employee	58,581	65,479	70,160	77,505	75,634
Net investment income	655,451	140,429	123,765	538,477	435,695
Benefit payments, including refunds of employee contributions	(211,294)	(209,280)	(223,041)	(258,964)	(234,769)
Administrative expense	(2,399)	(3,145)	(3,360)	(5,221)	(5,598)
Net change	600,747	107,154	89,321	486,344	404,829
Fiduciary net position – beginning	3,980,826	4,581,573	4,688,727	4,778,048	5,264,392
Fiduciary net position – ending	4,581,573	4,688,727	4,778,048	5,264,392	5,669,221
Net pension liability	\$ 229,828	\$ 236,061	\$ 386,033	\$ 269,457	\$ 197,941
Plan fiduciary net position as a percentage of total pension liability	95.22%	95.21%	92.52%	95.13%	96.63%
Covered payroll	\$1,171,614	\$1,309,569	\$1,403,195	\$1,550,077	\$1,512,621
Net pension liability as a percentage of covered payroll	19.62%	18.03%	27.51%	17.38%	13.09%

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

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

CITY OF UNION CITY, TENNESSEE
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**Schedule of Union City Board of Education's
Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**
Fiscal Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contributions	\$ 100,408	\$ 113,671	\$ 121,797	\$ 134,547	\$ 133,867
Contributions in relation to the actuarially determined contribution	100,408	113,671	121,797	134,547	133,867
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,171,614	\$ 1,309,569	\$ 1,403,195	\$ 1,550,077	\$ 1,512,621
Contributions as a percentage of covered payroll	8.57%	8.68%	8.68%	8.68%	8.85%
	<u>2019</u>				
Actuarially determined contributions	\$ 122,417				
Contributions in relation to the actuarially determined contribution	122,417				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 1,383,245				
Contributions as a percentage of covered payroll	8.85%				

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization periods, by tiers	7.02 years through June 30, 2013 18 years for July 1, 2013 through June 30, 2015 18.57 years for July 1, 2015 through June 30, 2016 20 years for June 30, 2017

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Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

**Schedule of Union City Schools' Proportionate Share of the
Net Pension Liability (Asset)
Teacher Legacy Pension Plan of TCRS
Plan Years Ended June 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
UC Schools' proportion of the net pension liability (asset)	0.149261%	0.151466%	0.163203%	0.179229%	0.180501%
UC Schools' proportionate share of the net pension liability (asset)	\$ (24,254)	\$ 62,046	\$ 1,019,931	\$ (58,640)	\$ (635,166)
UC Schools' covered payroll	\$5,716,551	\$5,670,125	\$5,891,315	\$6,322,531	\$6,320,537
UC Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.42)%	1.09%	17.31%	(0.93)%	(10.05)%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

CITY OF UNION CITY, TENNESSEE
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Schedule of Union City Schools' Contributions
Teacher Legacy Pension Plan of TCRS
Fiscal Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 507,630	\$ 512,579	\$ 532,575	\$ 572,744	\$ 573,905
Contribution in relation to the contractually required contribution	<u>507,630</u>	<u>512,579</u>	<u>532,575</u>	<u>572,744</u>	<u>573,905</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Union City Schools' covered payroll	\$ 5,716,551	\$ 5,670,125	\$ 5,891,315	\$ 6,322,531	\$ 6,320,537
Contributions as a percentage of Union City Schools' covered payroll	8.88%	9.04%	9.04%	9.06%	9.08%
	<u>2019</u>				
Contractually required contribution	\$ 666,458				
Contribution in relation to the contractually required contribution	<u>666,458</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Union City Schools' covered payroll	\$ 6,371,491				
Contributions as a percentage of Union City Schools' covered payroll	10.46%				

Notes to Schedule

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

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

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CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

**Schedule of Union City Schools' Proportionate Share of the
Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS**
Plan Years Ended June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Union City Schools' proportion of the net pension liability (asset)	0.173272%	0.160859%	0.114581%	0.101729%
Union City Schools' proportionate share of the net pension liability (asset)	\$ (6,971)	\$ (16,746)	\$ (30,230)	\$ (46,137)
Union City Schools' covered payroll	\$ 360,011	\$ 707,785	\$ 765,166	\$ 888,987
Union City Schools' proportionate share of the net pension asset as a percentage of covered payroll	(1.94%)	(2.37%)	(3.95%)	(5.19%)
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

**Schedule of Union City Schools' Contributions
Teacher Retirement Plan of TCRS**
Fiscal Years Ended June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 9,000	\$ 17,717	\$ 30,607	\$ 14,497	\$ 19,438
Contribution in relation to the contractually required contribution	14,401	28,311	30,607	35,560	19,438
Contribution deficiency (excess)	<u>\$ (5,401)</u>	<u>\$ (10,594)</u>	<u>\$ -</u>	<u>\$ (21,063)</u>	<u>\$ -</u>
Union City Schools' covered payroll	\$ 360,011	\$ 707,785	\$ 765,166	\$ 888,987	\$1,001,966
Contributions as a percentage of Union City Schools' covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%

Notes to Schedule

The statute governing the Teacher Retirement Plan provides for a minimum employer contribution rate of 4%, with contributions in excess of the actuarially determined rate deposited into a stabilization reserve. Effective July 1, 2018, stabilization reserve payments are held in a separate trust outside of TCRS for the benefit of each participating employer and, therefore, are no longer included in the above schedule.

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

The schedules are required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

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CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2019

**Schedule of Changes in Union City Board of Education's
Proportionate Share of the Collective OPEB Liability and Related Ratios
Teacher Group OPEB Plan
Plan Years Ended June 30,**

	<u>2017</u>	<u>2018</u>
Service cost	\$ 105,667	\$ 97,723
Interest	49,949	60,283
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(441,234)
Changes in assumptions	(80,979)	48,389
Benefit payments	(82,592)	(85,270)
Net change in total OPEB liability	(7,955)	(320,109)
Total OPEB liability – beginning	1,646,201	1,638,246
Total OPEB liability – ending	<u>\$ 1,638,246</u>	<u>\$ 1,318,137</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 560,169	\$ 421,230
Employer's proportionate share of the collective total OPEB liability	\$ 1,078,077	\$ 896,908
Union City Board of Education's covered-employee payroll	\$ 7,235,844	\$ 7,490,882
Employer's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	14.9%	12.0%

Notes to Schedule

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

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.

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

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CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

**Schedule of Changes in Union City Board of Education's
Proportionate Share of the Collective OPEB Liability and Related Ratios
Tennessee OPEB Plan
Plan Years Ended June 30,**

	<u>2017</u>	<u>2018</u>
Service cost	\$ 9,533	\$ 7,760
Interest	18,612	20,737
Changes in benefit terms	-	-
Differences between expected and actual experience	-	140,616
Changes in assumptions	(46,611)	(5,404)
Benefit payments	(34,500)	(34,832)
Net change in total OPEB liability	(52,966)	128,877
Total OPEB liability – beginning	645,125	592,159
Total OPEB liability – ending	<u>\$ 592,159</u>	<u>\$ 721,036</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 592,159	\$ 721,036
Employer's proportionate share of the collective total OPEB liability	\$ -	\$ -
Union City Board of Education's covered-employee payroll	\$ 7,235,844	\$ 7,490,882
Employer's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%

Notes to Schedule

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

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.

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

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CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Schedule of Changes in City of Union City's
Total OPEB Liability and Related Ratios
Local Government OPEB Plan
Plan Years Ended June 30,

	2017	2018
Service cost	\$ 31,059	\$ 29,489
Interest	11,278	14,341
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(153,269)
Changes in assumptions	(18,390)	15,698
Benefit payments	(4,533)	(7,078)
Other changes	-	-
Net change in total OPEB liability	19,414	(100,819)
Total OPEB liability – beginning	357,453	376,867
Total OPEB liability – ending	\$ 376,867	\$ 276,048
City's covered-employee payroll	\$ 4,932,246	\$ 6,068,978
Total OPEB liability as a percentage of covered-employee payroll	7.64%	4.55%

Notes to Schedule

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

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.

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Copies of the complete financial statements of the City for the current Fiscal Year are available at <https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html>.