

OFFICIAL STATEMENT

NEW ISSUE **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 Municipality, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. 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 inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$5,950,000 **UNION CITY, TENNESSEE** **General Obligation Bonds, Series 2016**

Dated: July 22, 2016

Due: June 1 (as indicated below)

The \$5,950,000 General Obligation Bonds, Series 2016 (the "Bonds") shall be issued by the Union City, Tennessee (the "City") 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, 2016 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 system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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 and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.

Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

Maturity					Maturity				
(June 1)					(June 1)				
Amount*	Interest		Yield		Amount*	Interest		Yield	
	Rate	Yield		CUSIPS No.		Rate	Yield		CUSIPS No.
2018	\$ 260,000	2.00%	0.70%	905836 GF3	2028	\$ 315,000	2.00%	1.60%	c 905836 GR7
2019	265,000	2.00	0.75	905836 GG1	2029	325,000	2.00	1.70	c 905836 GS5
2020	270,000	2.00	0.90	905836 GH9	2030	330,000	2.00	1.75	c 905836 GT3
2021	275,000	2.00	1.05	905836 GJ5	2031	335,000	2.00	1.80	c 905836 GU0
2022	280,000	2.00	1.15	c 905836 GK2	2032	340,000	2.125	1.90	c 905836 GV8
2023	285,000	2.00	1.25	c 905836 GL0	2033	350,000	2.25	2.00	c 905836 GW6
2024	295,000	2.00	1.30	c 905836 GM8	2034	360,000	2.25	2.05	c 905836 GX4
2025	300,000	2.00	1.40	c 905836 GN6	2035	370,000	2.375	2.20	c 905836 GY2
2026	310,000	2.00	1.50	c 905836 GP1	2036	375,000	2.50	2.25	c 905836 GZ9
2027	310,000	2.00	1.55	c 905836 GQ9					

c = Yield to call on June 1, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire 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 from Elam, Glasgow & Chism, 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 July 22, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

July 6, 2016

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

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

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This 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 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 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 or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

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

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

UNION CITY, TENNESSEE

COUNCILMEMBERS

Terry Hailey, Mayor
Billy J. Cranford, Mayor Pro-Tem
Jim Douglas
Diane Eskey
Danny Leggett
Frank Tucker
Bill Harrison

CITY OFFICIALS

Kathy Dillon
City Manager

Tracy Gore
City Recorder

James M. Glasgow, Jr.
City Attorney

UNDERWRITER

Raymond James & Associates, Inc.

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

Issuer Union City, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.

The Bonds.....\$5,950,000 General Obligation Bonds, Series 2016 (the “Bonds”).

Security The Bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the City. As to the portion of the Bonds that finance extensions and improvements to the Water and Sewer System (as defined below), as determined by the City, that portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the Water and Sewer System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Water and Sewer System and to any pledges of such revenues in favor of any prior lien obligations payable from the revenues of the Water and Sewer System. As to the portion of the Bonds that finance improvements to the Stormwater System (as defined below), as determined by the City, that portion of the Bonds shall be additionally payable from and secured by the revenues to be derived from the operation of the Stormwater System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Stormwater System.

Purpose The Bonds are being issued for the purpose of providing funds to finance (i) the construction of extensions and improvements to the water and sewer system (the "Water and Sewer System") of the City; (ii) the construction, extension, repair, renovation and improvement of the drainage system of the City, including the stormwater system of the City (the, "Stormwater System"); (iii) the construction, improvement, renovation and/or equipping of drainage systems, parks, parking facilities, recreation facilities, rights-of-way, highways, streets, roads, bridges, sidewalks, public buildings and public facilities and the reclamation of land, including wetlands; (iv) the acquisition of equipment for public works and public safety (collectively, the "Projects"); (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Projects; (vi) reimbursement to the City for funds previously expended for any of the foregoing; (vi) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and (vii) payment of the costs related to the issuance and sale of the Bonds.

Optional Redemption The Bonds maturing on or after June 1, 2022 are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.

Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.

Bank Qualification The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.

Rating.....S&P: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.

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

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

Financial AdvisorCumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parities; Others”, herein.

Underwriter.....Raymond James & Associates, Inc.

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 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. For more information concerning the City, or the OFFICIAL STATEMENT, contact Mr. Terry Hailey, Mayor, 408 South Depot Street, Union City, Tennessee 38281, Telephone: 731-885-1341; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Fund Balance	\$1,309,454	\$2,467,274	\$3,245,872	\$4,753,900	\$5,112,776
Revenues	13,496,643	12,994,771	10,627,310	10,853,840	11,248,106
Expenditures	11,404,772	10,908,463	11,613,303	9,246,748	9,338,436
Excess (Deficiency) of Revenues Over Expenditures	2,091,871	2,086,308	(985,993)	1,607,362	1,909,670
Transfers In	452,748	478,321	636,461	532,864	564,426
Transfers Out	(1,785,950)	(1,810,718)	(1,777,450)	(1,781,350)	(1,779,800)
Ending Fund Balance	<u>\$2,467,274</u>	<u>\$3,245,872</u>	<u>\$4,753,900</u>	<u>\$5,112,776</u>	<u>\$5,934,289</u>

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

\$5,950,000
UNION CITY, TENNESSEE
General Obligation Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the Union City, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$5,950,000 General Obligation Bonds, Series 2016 (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 adopted by the City Council of the City (the “Council”). The detailed bond resolution (the “Resolution”) was adopted by the Council on June 7, 2016.

The Bonds are being issued for the purpose of providing funds to finance (i) the construction of extensions and improvements to the water and sewer system of the City (the "Water and Sewer System") ; (ii) the construction, extension, repair, renovation and improvement of the drainage system of the City, including the stormwater system of the City (the, "Stormwater System"); (iii) the construction, improvement, renovation and/or equipping of drainage systems, parks, parking facilities, recreation facilities, rights-of-way, highways, streets, roads, bridges, sidewalks, public buildings and public facilities and the reclamation of land, including wetlands; (iv) the acquisition of equipment for public works and public safety (collectively, the "Projects"); (v) payment of architectural, engineering, legal, fiscal and administrative costs incident to the Projects; (vi) reimbursement to the City for funds previously expended for any of the foregoing; (vi) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and (vii) payment of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance July 22, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in registered book-entry 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 Recorder. 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 shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the City. As to the portion of the Bonds that finance extensions and improvements to the Water and Sewer System, as determined by the City, that portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the Water and Sewer System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Water and Sewer System and to any pledges of such revenues in favor of any prior lien obligations payable from the revenues of the Water and Sewer System. As to the portion of the Bonds that finance improvements to the Stormwater System, as determined by the City, that portion of the Bonds shall be additionally payable from and secured by the revenues to be derived from the operation of the Stormwater System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Stormwater System.

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

Bonds maturing June 1, 2022, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

NOTICE OF REDEMPTION

Notice of call for redemption 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.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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 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 FINANCIAL 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 Financial 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 Issuer 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 Issuer 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 system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Bond Counsel, the Registration Agent, the Financial 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 Issuer, the Bond Counsel, the Registration Agent, the Financial 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) all accrued interest, if any, shall be deposited to the appropriate fund of the City to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund to be known as the 2016 Construction Fund (the "Construction Fund") to be kept separate and apart from all other funds of the City. The City shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be paid to the City Recorder and shall be used to pay principal of and interest on the Bonds. Moneys in the Construction Fund shall be invested at the direction of the City in such investments as shall be permitted by applicable law. At the option of the City, earnings from such investments in the Construction Fund shall be deposited in the City's debt service fund.

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 any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code")
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

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

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

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

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "Changes in Federal and State Tax Law" below in this heading.

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

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

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes,

(b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery

and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond counsel has not prepared the PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the PRELIMINARY OFFICIAL STATEMENT or OFFICIAL STATEMENT, in final form, except for the information under the caption 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 opinion is included in “APPENDIX A-Form of Legal Opinion”.

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MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA-”. Such rating reflects only the views of such organization and explanations of the significance of such rating should be obtained from such agency.

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 rating, 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.

Any explanation of the significance of the rating may be obtained only from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on July 6, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated June 27, 2016.

The successful bidder for the Bonds was an account led by Raymond James & Associates, Inc., (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 \$6,040,691.55 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$127,659.05 less an underwriter’s discount of \$36,967.50) or 101.524% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the “Financial 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 Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The

Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

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

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

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

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

Other. Among other services, Cumberland Securities Company, Inc. and the Bank 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 various Capital Projects which may or may not be funded in future years.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12, 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 City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c21-2. With the exception of the foregoing, 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 in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-8;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-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 Fund as of the end of such fiscal year as show on page B-12;
5. The fund balances and retained earnings for the fiscal year as shown on page B-14;
6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-15;
7. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-21;
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-21; and
9. The ten largest taxpayers as shown on page B-22.

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; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

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

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

ADDITIONAL INFORMATION

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

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

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

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as “final” as of its date within the meaning of 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/ Terry Hailey
City Mayor

ATTEST:

/s/ Tracy Gore
City Recorder

APPENDIX A

FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Union City, Tennessee (the "Issuer") of the \$5,950,000 General Obligation Bonds, Series 2016 (the "Bonds") dated July 22, 2016. 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. As to the portion of the Bonds that finance extensions and improvements to the water and sewer system (the "Water and Sewer System"), as determined by the Municipality, that portion of the Bonds shall be additionally payable from but not secured by a pledge of the revenues to be derived from the operation of the Water and Sewer System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Water and Sewer System and to any pledges of such revenues in favor of any prior lien obligations payable from the revenues of the Water and Sewer System. As to the portion of the Bonds that finance improvements to the stormwater system (the "Stormwater System"), as determined by the Municipality, that portion of the Bonds shall be additionally payable from and secured by the revenues to be derived from the operation of the Stormwater System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the Stormwater System.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as

amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) 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 (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

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 Union City-Martin, TN-KY 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 2014 enrollment was 3,622 students with 238 teachers. The *Union City School System* has one elementary school, one middle school and one high school. The fall 2014 enrollment was 1,580 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 2014 semester had an enrollment of 7,029 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 2014 semester had an enrollment of 2,863 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 Technology Center at Newbern. The Tennessee Technology Center at Newbern is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center 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 Technology Center at Newbern serves the northwest

region of the state including Dyer, Lake and Obion Counties. The Technology Center at Newbern began operations in 1965, and the main campus is located in Dyer County. Fall 2013 enrollment was 567 students.

Source: Tennessee Technology Center at Newbern and TN 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

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	1,200
Williams Sausage	Food Processing	478
Baptist Memorial Hospital	Healthcare	450
Walmart	Retail	360
Kohler Co.	Plastic Products	270
Lennox Hearth Products	Hardware, NEC	257
Griffin Industries Inc.	Animal, Marine Fats & oils	94
Greenfield Products	Heavy Steel fabrication	80
Hanafee Brothers Sawmill	Hardwood Lumber	44
Vaughn Electric	Electrical	43
Jiffy Steamer	Garment Steamer Manufacturer	40
American Environmental Group	Plastic Liners	35
Storey Sawmill & Lumber Co.	Sawmill	35

Source: West Tennessee Industrial Association - 2015.

EMPLOYMENT INFORMATION

For the month of February 2016, the unemployment rate for Obion County stood at 6.8% with 11,640 persons employed out of a labor force of 12,490.

For the month of February 2016, the unemployment rate for the Union City mSA stood at 6.9% with 13,620 persons employed out of a labor force of 14,630. As of February 2016, the unemployment rate in the Union City-Martin CSA stood at 6.0%, representing 28,420 persons employed out of a workforce of 30,240.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	7.8%	6.7%	5.8%
Obion County	12.7%	13.3%	11.5%	9.5%	8.9%
Index vs. National	143	164	155	153	168
Index vs. State	138	165	147	142	153
Union City, TN-KY mSA	12.9%	13.7%	11.4%	9.3%	8.7%
Index vs. National	145	169	154	150	164
Index vs. State	140	170	146	139	150
Union City-Martin CSA	12.6%	12.8%	10.9%	9.0%	7.9%
Index vs. National	142	158	147	145	149
Index vs. State	137	159	140	134	136

Source: Tennessee Department of Labor and Workforce Development.

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ECONOMIC DATA

Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
Obion County	\$31,079	\$33,818	\$32,757	\$35,522	\$35,704
Index vs. National	77	80	74	80	78
Index vs. State	87	91	84	90	88
Union City, TN-KY mSA	\$30,277	\$33,189	\$32,113	\$35,152	\$35,195
Index vs. National	75	78	73	79	76
Index vs. State	85	89	82	89	87
Union City-Martin CSA	\$29,444	\$31,973	\$31,248	\$33,926	\$33,941
Index vs. National	73	75	71	76	74
Index vs. State	83	86	80	86	84

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	\$175,700	\$139,900	\$89,100	\$94,500
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	81.1%	82.5%
% Persons with Income Below Poverty Level	14.80%	18.30%	20.8%	26.0%
Median Household Income	\$53,482	\$44,621	\$40,327	\$35,051

Source: U.S. Census Bureau State & County QuickFacts - 2014.

RECREATION

Discovery Park of America. The Discovery Park of America, located in Union City, is the new \$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 anhingas, 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

Discover Park of America. A 50-acre complex, construction of the Discover Park of America was completed in 2013. The Park offers visitors educational and entertainment experiences with more than 70,000 square-feet of exhibits focused on nature, science, technology, history and art.

Full Throttle Distillery. The Full Throttle Distillery opened a 9,000-square-foot moonshine distillery in Trimble (located in both Dyer and Obion Counties). Construction began in 2012 and was completed in 2014 in an old cotton gin. The facility features a new diner and a retail store. The grand opening featured a free three-day event that was filled with live music, a car show, food vendors and a concert from a country music star.

Goodyear Tire and Rubber Company. The Akron, Ohio-based company, Goodyear, shut down production in 2011 due to the down economy and poor quarterly sales. The plant was closed at the end of 2011, idling 1,900 workers. The jobs were being shifted mainly to plants in

Fayetteville, N.C., and Gadsden, Ala. Goodyear was the largest employer in the County and is one of the largest employers in northwest Tennessee, with employees who drove in from Kentucky and as far as 50 miles away. The plant had opened in 1968.

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.

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.

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)	Estimated (1) As of 6-30-2016 OUTSTANDING
\$ 6,625,000	General Obligation Refunding Bonds, Series 2009	June 2024	Fixed	\$ 3,830,000
3,150,000	(3) Loan Agreement, Series 2012 (SRF)	2034	Fixed	2,695,004
3,260,000	(4) General Obligation Bonds, Series 2013A	June 2028	Fixed	2,755,000
2,490,000	General Obligation Bonds, Series 2013B (Taxable)	June 2030	Fixed	2,290,000
<u>\$ 15,525,000</u>	TOTAL BONDED DEBT			<u>\$ 11,570,004</u>
\$ 5,950,000	General Obligation Bonds, Series 2016	June 2036	Fixed	\$ 5,950,000
(7,485,000)	Less: Revenue Supported Debt			(6,625,004)
<u>\$ 13,990,000</u>	NET BONDED DEBT			<u>\$ 10,895,000</u>

NOTES:

- (1) The above figures do not include short-term notes or leases outstanding, if any.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) Water and Sewer System Revenue Supported Debt.
- (4) \$1,555,000 of the Series 2013A Bonds are supported by Water and Sewer System Revenue.
- (5) \$1,915,000 of the Series 2016 Bonds are supported by water and sewer system revenue and \$460,000 are supported by stormwater revenues, if available.

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		After Issuance
	2012	2013	2014	2015	2016	2016	
INDEBTEDNESS							
TAX SUPPORTED							
General Obligation Bonds & Notes	\$ 8,541,000	\$ 9,233,000	\$ 8,581,000	\$ 7,913,000	\$ 7,320,000	\$ 10,895,000	
W&S Revenue Supported Bonds	-	3,710,000	4,630,587	4,516,044	4,250,004	6,165,004	
Stormwater Revenue Supported Bonds	-	-	-	-	-	460,000	
TOTAL TAX SUPPORTED	\$ 8,541,000	\$ 12,943,000	\$ 13,211,587	\$ 12,429,044	\$ 11,570,004	\$ 17,520,004	
TOTAL DEBT	\$ 8,541,000	\$ 12,943,000	\$ 13,211,587	\$ 12,429,044	\$ 11,570,004	\$ 17,520,004	
Less: Revenue Supported Debt	\$ -	\$ (3,710,000)	\$ (4,630,587)	\$ (4,516,044)	\$ (4,250,004)	\$ (6,625,004)	
Less: Debt Service Fund	-	-	-	-	-	-	
NET DIRECT DEBT	\$ 8,541,000	\$ 9,233,000	\$ 8,581,000	\$ 7,913,000	\$ 7,320,000	\$ 10,895,000	
PROPERTY TAX BASE							
Estimated Actual Value	\$ 621,865,269	\$ 599,668,725	\$ 604,002,619	\$ 655,474,385	\$ 630,237,876	\$ 630,237,876	
Appraised Value	\$ 592,948,534	\$ 599,668,725	\$ 604,002,619	\$ 655,474,385	\$ 618,137,309	\$ 618,137,309	
Assessed Value	\$ 185,816,526	\$ 187,989,365	\$ 190,877,991	\$ 211,148,508	\$ 196,270,775	\$ 196,270,775	

DEBT RATIOS	Fiscal Year Ended June 30				Unaudited 2016	After Issuance 2016
	2012	2013	2014	2015		
TOTAL DEBT to Estimated Actual Value	1.37%	2.16%	2.19%	1.90%	1.84%	2.78%
TOTAL DEBT to Appraised Value	1.44%	2.16%	2.19%	1.90%	1.87%	2.83%
TOTAL DEBT to Assessed Value	4.60%	6.88%	6.92%	5.89%	5.89%	8.93%
NET DIRECT DEBT to Estimated Actual Value	1.37%	1.54%	1.42%	1.21%	1.16%	1.73%
NET DIRECT DEBT to Appraised Value	1.44%	1.54%	1.42%	1.21%	1.18%	1.76%
NET DIRECT DEBT to Assessed Value	4.60%	4.91%	4.50%	3.75%	3.73%	5.55%
PER CAPITA RATIOS						
POPULATION (1)	10,811	10,749	10,749	10,749	10,749	10,749
PER CAPITA PERSONAL INCOME (2)	\$32,757	\$35,522	\$35,704	\$35,704	\$35,704	\$35,704
Estimated Actual Value to POPULATION	57,522	55,788	56,192	60,980	58,632	58,632
Assessed Value to POPULATION	17,188	17,489	17,758	19,644	18,259	18,259
Total Debt to POPULATION	790	1,204	1,229	1,156	1,076	1,630
Net Direct Debt to POPULATION	790	859	798	736	681	1,014
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.41%	3.39%	3.44%	3.24%	3.01%	4.57%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.41%	2.42%	2.24%	2.06%	1.91%	2.84%

(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

F.Y. Ended 6/30	Existing Debt (1) - As of June 30, 2016			General Obligation Bonds, Series 2016			% 2016 Principal Repaid	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest (2)	TOTAL	
2017	\$ 620,000	\$ 262,478	\$ 882,478	\$ -	\$ 64,177	\$ 64,177	0.00%	\$ 620,000	\$ 326,654	\$ 946,654	5.69%
2018	635,000	243,778	878,778	155,000	74,769	229,769		790,000	318,546	1,108,546	
2019	650,000	225,423	875,423	160,000	71,669	231,669		810,000	297,091	1,107,091	
2020	665,000	202,923	867,923	165,000	68,469	233,469		830,000	271,391	1,101,391	
2021	685,000	179,323	864,323	165,000	65,169	230,169	18.04%	850,000	244,491	1,094,491	35.80%
2022	705,000	154,723	859,723	170,000	61,869	231,869		875,000	216,591	1,091,591	
2023	725,000	129,028	854,028	175,000	58,469	233,469		900,000	187,496	1,087,496	
2024	745,000	102,140	847,140	175,000	54,969	229,969		920,000	157,109	1,077,109	
2025	340,000	74,090	414,090	180,000	51,469	231,469		520,000	125,559	645,559	
2026	350,000	62,700	412,700	185,000	47,869	232,869	42.80%	535,000	110,569	645,569	70.22%
2027	350,000	49,800	399,800	185,000	44,169	229,169		535,000	93,969	628,969	
2028	350,000	36,800	386,800	190,000	40,469	230,469		540,000	77,269	617,269	
2029	250,000	22,500	272,500	195,000	36,669	231,669		445,000	59,169	504,169	
2030	250,000	11,250	261,250	200,000	32,769	232,769		450,000	44,019	494,019	
2031	-	-	-	200,000	28,769	228,769	69.93%	200,000	28,769	228,769	90.13%
2032	-	-	-	205,000	24,769	229,769		205,000	24,769	229,769	
2033	-	-	-	210,000	20,413	230,413		210,000	20,413	230,413	
2034	-	-	-	215,000	15,688	230,688		215,000	15,688	230,688	
2035	-	-	-	220,000	10,850	230,850		220,000	10,850	230,850	
2036	-	-	-	225,000	5,625	230,625	100.00%	225,000	5,625	230,625	100.00%
	\$ 7,320,000	\$ 1,756,953	\$ 9,076,953	\$ 3,575,000	\$ 879,083	\$ 4,454,083		\$ 10,895,000	\$ 2,636,035	\$ 13,531,035	

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) The City budgets to account for interest rate and/or basis risk.
- (3) Average Coupon 2.1479%.

CITY OF UNION CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer System Supported Debt

F.Y. Ended 6/30	Existing Debt (1) - As of June 30, 2016			General Obligation Bonds, Series 2016			% 2016 Principal Repaid	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest (2)	TOTAL	
2017	\$ 267,576	\$ 68,668	\$ 336,244	\$ -	\$ 34,387	\$ 34,387	0.00%	267,576	103,055	370,631	4.34%
2018	269,136	64,409	333,545	85,000	40,063	125,063		354,136	104,471	458,607	
2019	275,720	60,131	335,851	85,000	38,363	123,363		360,720	98,493	459,213	
2020	277,316	55,734	333,050	85,000	36,663	121,663		362,316	92,397	454,713	
2021	278,936	51,319	330,255	90,000	34,963	124,963	18.02%	368,936	86,281	455,217	27.80%
2022	280,568	46,605	327,173	90,000	33,163	123,163		370,568	79,767	450,335	
2023	282,224	41,591	323,815	90,000	31,363	121,363		372,224	72,954	445,178	
2024	248,892	36,348	285,240	95,000	29,563	124,563		343,892	65,911	409,803	
2025	260,584	31,873	292,457	95,000	27,663	122,663		355,584	59,536	415,120	
2026	267,300	26,998	294,298	100,000	25,763	125,763	42.56%	367,300	52,761	420,061	57.15%
2027	269,028	21,785	290,813	100,000	23,763	123,763		369,028	45,548	414,576	
2028	275,780	16,432	292,212	100,000	21,763	121,763		375,780	38,195	413,975	
2029	152,556	10,846	163,402	105,000	19,763	124,763		257,556	30,609	288,165	
2030	154,356	9,052	163,408	105,000	17,663	122,663		259,356	26,714	286,070	
2031	156,168	7,236	163,404	110,000	15,563	125,563	69.71%	266,168	22,798	288,966	81.93%
2032	158,004	5,399	163,403	110,000	13,363	123,363		268,004	18,761	286,765	
2033	159,864	3,540	163,404	115,000	11,025	126,025		274,864	14,565	289,429	
2034	161,736	1,660	163,396	115,000	8,438	123,438		276,736	10,097	286,833	
2035	54,260	132	54,392	120,000	5,850	125,850		174,260	5,982	180,242	98.05%
2036	-	-	-	120,000	3,000	123,000	100.00%	120,000	3,000	123,000	
	<u>\$ 4,250,004</u>	<u>\$ 559,758</u>	<u>\$ 4,809,762</u>	<u>\$ 1,915,000</u>	<u>\$ 472,137</u>	<u>\$ 2,387,137</u>		<u>\$ 6,165,004</u>	<u>\$ 1,031,895</u>	<u>\$ 7,196,899</u>	

NOTES:

- (1) The above figures may not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) Average Coupon 2.1479%.

CITY OF UNION CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Stormwater System Supported Debt

F.Y. Ended 6/30	Existing Debt (1) - As of June 30, 2016				General Obligation Bonds, Series 2016				% 2016 Principal Repaid	Total Bonded Debt Service Requirements (1)				% All Principal Repaid
	Principal	Interest (2)	TOTAL		Principal	Interest (3)	TOTAL			Principal	Interest (2)	TOTAL		
2017	\$ -	\$ -	\$ -	-	\$ -	\$ 8,267	\$ 8,267	-	\$ -	\$ 8,267	\$ 8,267	-	\$ 8,267	0.00%
2018	-	-	-	-	20,000	9,631	29,631	20,000	9,631	29,631	29,631	20,000	9,631	29,631
2019	-	-	-	-	20,000	9,231	29,231	20,000	9,231	29,231	29,231	20,000	9,231	29,231
2020	-	-	-	-	20,000	8,831	28,831	20,000	8,831	28,831	28,831	20,000	8,831	28,831
2021	-	-	-	-	20,000	8,431	28,431	20,000	8,431	28,431	28,431	20,000	8,431	28,431
2022	-	-	-	-	20,000	8,031	28,031	20,000	8,031	28,031	28,031	20,000	8,031	28,031
2023	-	-	-	-	20,000	7,631	27,631	20,000	7,631	27,631	27,631	20,000	7,631	27,631
2024	-	-	-	-	25,000	7,231	32,231	25,000	7,231	32,231	32,231	25,000	7,231	32,231
2025	-	-	-	-	25,000	6,731	31,731	25,000	6,731	31,731	31,731	25,000	6,731	31,731
2026	-	-	-	-	25,000	6,231	31,231	25,000	6,231	31,231	31,231	25,000	6,231	31,231
2027	-	-	-	-	25,000	5,731	30,731	25,000	5,731	30,731	30,731	25,000	5,731	30,731
2028	-	-	-	-	25,000	5,231	30,231	25,000	5,231	30,231	30,231	25,000	5,231	30,231
2029	-	-	-	-	25,000	4,731	29,731	25,000	4,731	29,731	29,731	25,000	4,731	29,731
2030	-	-	-	-	25,000	4,231	29,231	25,000	4,231	29,231	29,231	25,000	4,231	29,231
2031	-	-	-	-	25,000	3,731	28,731	25,000	3,731	28,731	28,731	25,000	3,731	28,731
2032	-	-	-	-	25,000	3,231	28,231	25,000	3,231	28,231	28,231	25,000	3,231	28,231
2033	-	-	-	-	25,000	2,700	27,700	25,000	2,700	27,700	27,700	25,000	2,700	27,700
2034	-	-	-	-	30,000	2,138	32,138	30,000	2,138	32,138	32,138	30,000	2,138	32,138
2035	-	-	-	-	30,000	1,463	31,463	30,000	1,463	31,463	31,463	30,000	1,463	31,463
2036	-	-	-	-	30,000	750	30,750	30,000	750	30,750	30,750	30,000	750	30,750
	\$ -	\$ -	\$ -	-	\$ 460,000	\$ 114,186	\$ 574,186	\$ 460,000	\$ 114,186	\$ 574,186	\$ 574,186	\$ 460,000	\$ 114,186	\$ 574,186

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) The City budgets to account for interest rate and/or basis risk.
- (3) Average Coupon 2.1479%.

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<i>Governmental Funds:</i>					
General	\$2,467,274	\$3,245,872	\$4,753,900	\$5,112,776	\$5,934,289
General Purpose School	2,663,619	2,581,287	2,360,694	2,670,833	2,690,866
Other Governmental	<u>796,374</u>	<u>985,277</u>	<u>1,049,089</u>	<u>1,372,172</u>	<u>1,812,415</u>
Total	<u>\$5,927,267</u>	<u>\$6,812,436</u>	<u>\$8,163,683</u>	<u>\$9,155,781</u>	<u>\$10,437,570</u>
<i>Proprietary Net Assets:</i>					
Water and Sewer	\$14,882,457	\$15,634,815	\$16,153,872	\$17,440,978	\$17,831,691
Electric System	<u>19,016,860</u>	<u>20,271,503</u>	<u>21,491,145</u>	<u>22,900,695</u>	<u>22,736,268</u>
Total	<u>\$33,899,317</u>	<u>\$35,906,318</u>	<u>\$37,645,017</u>	<u>\$40,341,673</u>	<u>\$40,567,959</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Taxes	\$ 8,266,699	\$ 8,262,343	\$ 8,263,369	\$ 8,442,604	\$ 8,771,996
Licenses, Permits, Fines	173,728	181,225	181,449	196,407	216,697
Intergovernmental	2,587,680	2,176,119	1,552,391	1,253,899	1,535,452
Fines and Forfeitures	242,344	77,162	110,733	116,037	118,204
Charges for Services	1,831,789	1,910,685	138,754	151,004	139,362
Other	394,403	387,237	380,614	693,889	466,395
Total Revenues	\$ 13,496,643	\$ 12,994,771	\$ 10,627,310	\$ 10,853,840	\$ 11,248,106
Expenditures:					
Financial Administration	\$ 2,389,859	\$ 1,086,075	\$ 1,333,949	\$ 1,319,244	\$ 1,728,091
Public Safety	3,622,194	4,734,735	4,907,617	4,826,002	4,934,479
Public Services	3,175,962	3,496,524	2,227,548	2,065,867	2,090,615
Debt Service	305,946	399,262	2,810,361	390,449	396,752
Capital Outlay	1,910,811	1,191,867	333,828	644,916	188,499
Total Expenditures	\$ 11,404,772	\$ 10,908,463	\$ 11,613,303	\$ 9,246,478	\$ 9,338,436
Excess of Revenues Over (Under) Expenditures	\$ 2,091,871	\$ 2,086,308	\$ (985,993)	\$ 1,607,362	\$ 1,909,670
Other Financing Sources (Uses):					
Debt Proceeds	\$ 282,732	\$ -	\$ 3,810,725	\$ -	\$ -
Insurance Recoveries	-	24,687	-	-	127,217
Transfers In	452,748	478,321	636,461	532,864	564,426
Transfers Out	(1,785,950)	(1,810,718)	(1,777,450)	(1,781,350)	(1,779,800)
Total	\$ (1,050,470)	\$ (1,307,710)	\$ 2,669,736	\$ (1,248,486)	\$ (1,088,157)
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 1,041,401	\$ 778,598	\$ 1,683,743	\$ 358,876	\$ 821,513
Fund Balance July 1	\$ 1,309,454	\$ 2,467,274	\$ 3,245,872	\$ 4,753,900	\$ 5,112,776
Adjustments	116,419	-	(175,715)	-	-
Fund Balance June 30	\$ 2,467,274	\$ 3,245,872	\$ 4,753,900	\$ 5,112,776	\$ 5,934,289

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 0.9808. The following table shows pertinent data for tax year 2015¹.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 8,396,983	55%	\$ 19,149,744
Commercial and Industrial	93,230,920	40%	237,639,992
Personal Tangible Property	18,141,847	30%	61,453,742
Residential and Farm	<u>76,501,025</u>	25%	<u>311,994,398</u>
TOTAL	<u>\$196,270,775</u>		<u>\$630,237,876</u>

Source: 2015 Tax Aggregate Report for Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2016 (tax year 2015) is \$196,270,775 compared to \$211,148,508 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is \$630,237,876 compared to \$655,474,385 for tax year 2014.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2015.

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, 2015 Amount	Pct
2011	\$185,816,526	\$ 2.12	\$3,939,368	\$3,708,357	94.1%	\$ 16,900	0.4%
2012	187,989,365	2.13	4,004,173	3,745,084	93.5%	63,404	1.6%
2013	190,877,991	2.1419	4,088,410	3,776,194	92.4%	167,630	4.1%
2014	211,148,508	2.1419	4,522,608	3,787,960	83.8%	734,648	16.2%
2015	196,062,956	2.1419	4,199,489	IN PROGRESS			

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¹ The tax year coincides with the calendar year; therefore tax year 2015 is actually fiscal year 2015-16.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), 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	\$73,580
2. Baptist Memorial Hospital	Hospital	68,257
3. MVD Group	Distribution	57,364
4. Lowes Home Centers, Inc.	Retail	52,247
5. Atmos Energy Corp.		51,885
6. Kohler Company	Manufacturing	51,695
7. First State Properties, Inc.	Bank	44,401
8. James R. Abernathy, II	Automotive Retail	41,138
9. Latimer & Searcy	Real Estate	37,973
10. BellSouth	Telecommunications	<u>35,352</u>
TOTAL		<u>\$513,892</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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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF UNION CITY, TENNESSEE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2015

CITY OF UNION CITY, TENNESSEE

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INTRODUCTORY SECTION

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF OFFICIALS
June 30, 2015

City Council

Terry Hailey, Mayor
Bill Harrison
Danny Leggett
Billy Jack Cranford
Dianne Eskew
Frank Tucker
Jim Douglas

Kathy Dillon, City Manager/CMFO

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

624 East Reelfoot Ave.
Union City, TN 38261

Phone 731.885.3661
Fax 731.885.6909
www.atacpa.net

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union City, Tennessee, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City of Union City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the pension and post-retirement schedules on pages 72 through 80 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 Debt Service Requirements by Individual Issue – All Funds, Schedule of Property Tax Receivable, Schedule of Property Tax Rates and Assessments, Schedule of Utility Rates in Force, and Water Loss Schedules 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 Debt Service Requirements by Individual Issue – All Funds, 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

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

and Schedules, Schedule of Expenditures of Federal Awards, Schedule of State Assistance, Schedule of Debt Service Requirements by Individual Issue – All Funds, Schedule of Property Tax Receivable, 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, the Schedule of Property Tax Rates and Assessments and the Water Loss Schedules 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 March 1, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 1, 2016

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, 2015. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

FINANCIAL HIGHLIGHTS

- The assets of the City of Union City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,427,971 (net position). Of this amount, \$11,145,084 (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 \$5,934,289, an increase of \$821,513 in comparison with the prior year. The fund balance available for spending at the City of Union City's discretion (unassigned fund balance) was \$4,275,787.
- The City increased its long term debt by \$1,217,457 creating a balance of \$14,429,044 at June 30, 2015. The City's tax rate remained at \$2.14.

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.
4. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of 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 electric system and the water and sewer department utilities. The government-wide financial statements can be found on pages 10 to 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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 governmental fund financial statements and reconciliations can be found on pages 13 to 33 of this report.

The City maintains twelve 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 have been provided on pages 17 to 33 and pages 83 to 93 of this report.

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 enterprise funds to account for its Electric System and 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 Electric System and Water and Sewer Department, which are considered to be major funds of the City of Union City. The basic proprietary fund financial statements can be found on pages 34 to 38 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City has one fiduciary fund, the Cemetery Trust Fund. The fiduciary fund statements are presented on pages 39 to 40 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 to 71 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Union City's pension plans and the Electric System's post-retirement medical plan.

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 exceeded liabilities and deferred inflows of resources by \$67,427,971 at the close of the most recent fiscal year. The largest portion of the City's net position (72.72%) 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.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	17,588,465	14,928,973	17,695,388	18,520,446	35,283,853	33,449,419
Capital assets	25,762,172	26,448,149	35,818,116	32,613,658	61,580,288	59,061,807
Total assets	43,350,637	41,377,122	53,513,504	51,134,104	96,864,141	92,511,226
Deferred outflows of resources	1,032,769	-	273,495	-	1,306,264	-
Long-term liabilities	8,263,413	8,715,430	7,450,858	4,965,466	15,714,271	13,680,896
Other liabilities	948,986	1,099,335	5,303,143	5,826,965	6,252,129	6,926,300
Total liabilities	9,212,399	9,814,765	12,754,001	10,792,431	21,966,400	20,607,196
Deferred inflows of resources	8,310,995	4,589,264	465,039	-	8,776,034	4,589,264
Net position:						
Net investment in capital assets	17,780,919	17,791,339	31,255,595	27,776,219	49,036,514	45,567,558
Restricted	6,083,253	3,861,531	1,163,120	-	7,246,373	3,861,531
Unrestricted	2,995,840	5,320,223	8,149,244	12,565,454	11,145,084	17,885,677
Total net position	26,860,012	26,973,093	40,567,959	40,341,673	67,427,971	67,314,766

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position. Net position increased by \$3,076,091 from the prior year as a result of current year operations. However, adoption of the new pension standards caused a decrease in beginning net position of \$2,962,885 for a net increase in net position of \$113,205. A portion (10.75%) of net position is restricted for use by the Drug fund, community development, education, streets and tourism expenditures. The balance of net position represented by unrestricted net position (16.53%) may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities – Expenses in governmental activities exceeded program revenues by \$12,560,210. In the business-type activities, charges for services exceeded expenses by \$1,244,113. General government revenues totaling \$14,348,978 combined with the other business-type income of \$43,210 result in a total net income of \$3,076,091.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	2,772,356	2,748,722	29,310,763	31,624,746	32,083,119	34,373,468
Operating grants and contributions	9,994,501	9,677,434			10,000,069	9,677,434
Capital grants and contributions	473,157	568,211		717,887	467,589	1,286,098
General revenues:						
Property taxes	6,293,862	6,106,594			6,293,862	6,106,594
Other taxes	7,565,753	7,044,100			7,565,753	7,044,100
Other sources	489,363	314,583	43,210	45,480	532,573	360,063
Total revenues	27,588,992	26,459,644	29,353,973	32,388,113	56,942,965	58,847,757
Expenses:						
Financial administration	2,495,263	2,092,073			2,495,263	2,092,073
Planning and code Enforcement	216,102	163,059			216,102	163,059
Public safety	4,737,774	4,876,445			4,737,774	4,876,445
Street department	1,382,746	1,329,178			1,382,746	1,329,178
Recreation	1,189,509	1,081,593			1,189,509	1,081,593
Community development	683,159	665,956			683,159	665,956
Education	12,570,553	12,471,342			12,570,553	12,471,342
School food service	918,260	853,020			918,260	853,020
Sanitation	1,606,858	1,986,758			1,606,858	1,986,758
Water and sewer			3,901,105	3,901,661	3,901,105	3,901,661
Electric			24,165,545	25,256,932	24,165,545	25,256,932
Total expenses	25,800,224	25,519,424	28,066,650	29,158,593	53,866,874	54,678,017
Revenue over expenses	1,788,768	940,220	1,287,323	3,229,520	3,076,091	4,169,740
Transfers	564,426	532,864	(564,426)	(532,864)		
Change in net position	2,353,194	1,473,084	722,897	2,696,656	3,076,091	4,169,740
Net position - beginning	26,973,093	25,500,009	40,341,672	37,645,016	67,314,765	63,145,025
Restatement-pensions	(2,466,275)		(496,610)		(2,962,885)	
Net position - restated	24,506,818	25,500,009	39,845,062	37,645,016	64,351,880	63,145,025
Net position - ending	26,860,012	26,973,093	40,567,959	40,341,672	67,427,971	67,314,765

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 41.3% of governmental fund revenues and the General Purpose School Fund accounts for 40%. 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 \$5,934,289 at the end of the current fiscal year, with \$4,275,787 available to meet the day-to-day needs of the City.

Revenues in the General Fund increased by \$394,266 from the prior year. The most significant changes in revenues for the General Fund was in local taxes, which increased \$329 thousand, and in inter-governmental revenue, which increased \$282 thousand. However, other revenues decreased by \$229 thousand, mainly in sale of land and equipment and in miscellaneous refunds. Expenditures remained relatively steady, increasing \$91 thousand from the prior year.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary funds were \$40,567,959 with unrestricted net position making up \$8,149,244 of that total. The total increase in net position for these funds was \$226,287 which is the net of a \$722,897 increase from current operations and a decrease of \$496,610 from the new pension standards restatement. Water and Sewer charges decreased \$141 thousand due to a decrease in use by several industrial customers and a repaired long-time water leak within the Reelfoot Rural Water Association. Additionally, water taps have also decreased during this period due to a drop in construction. The Electric System also had decreases in revenues and expenses. See their separately issued report for a discussion of their current year operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted and actual amounts – Actual revenues exceeded final budgeted amounts by \$408,281 in the General fund, with the largest variation in local sales tax, which was \$238,751 over budget. Total expenditures were under budget by \$800,899 in the current year. The majority of departments were under budget, with the largest variation in street paving, which was \$300,000 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - At June 30, 2015, the City had invested \$61,580,288 net of accumulated depreciation in a variety of capital assets and infrastructure. Additional information on the City's capital assets can be found in Note 4C of the Notes to Financial Statements.

Long-term debt – At the end of the current fiscal year, the City had a total long-term debt outstanding of \$14,429,044. 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 4D of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Labor Force Estimates for June 30, 2015, indicate the unemployment rate for Obion County is 9.1%, Union City is 8.9%, the state's average unemployment rate is 5.7% and the national average unemployment rate is 5.3%. The cost of operating the City is anticipated to increase and a portion of the City's net position is expected to assist in meeting budget needs in 2015/16.

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.

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 8,214,843	\$ 11,093,970	\$ 19,308,813
Property taxes receivable (net of allowance for uncollectible accounts)	4,200,109	-	4,200,109
Accounts receivable (net of allowance for uncollectible accounts)	70,060	2,827,055	2,897,115
Sales tax receivable	1,065,031	-	1,065,031
Other taxes receivable	507,078	-	507,078
Other receivables	333,163	86,256	419,419
Internal balances	446,614	(446,614)	-
Due from grantors	83,394	-	83,394
Inventories	23,773	616,742	640,515
Prepayments	-	20,761	20,761
Restricted assets:			
Invested funds	757,303	749,477	1,506,780
Capital assets, not being depreciated:			
Land	3,657,011	169,306	3,826,317
Property held for future use	-	100,009	100,009
Construction in progress	30,000	2,038,576	2,068,576
Capital assets, being depreciated, net:			
Buildings	15,151,145	-	15,151,145
Infrastructure	3,669,786	-	3,669,786
Improvements other than buildings	1,427,264	-	1,427,264
Vehicles and equipment	1,826,966	-	1,826,966
Utility plant in service	-	33,510,225	33,510,225
Net pension asset	1,887,097	466,037	2,353,134
Other assets	-	2,281,704	2,281,704
	<u>43,350,637</u>	<u>53,513,504</u>	<u>96,864,141</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>1,032,769</u>	<u>273,495</u>	<u>1,306,264</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	176,790	4,197,772	4,374,562
Accrued payroll	455,214	29,573	484,787
Accrued postemployment benefit liability	-	140,827	140,827
Retainage payable	-	30,314	30,314
Other payables	316,982	82,728	399,710
Customer deposits	-	784,191	784,191
Other current liabilities	-	37,738	37,738
Noncurrent liabilities:			
Due within one year	593,000	571,060	1,164,060
Due in more than one year	7,440,585	6,203,590	13,644,175
Net pension liability	229,828	484,043	713,871
Other liabilities	-	192,165	192,165
Total liabilities	<u>9,212,399</u>	<u>12,754,001</u>	<u>21,966,400</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	4,233,369	-	4,233,369
Deferred inflows related to pensions	<u>4,077,626</u>	<u>465,039</u>	<u>4,542,665</u>
Total deferred inflows of resources	<u>8,310,995</u>	<u>465,039</u>	<u>8,776,034</u>
Net Position			
Net investment in capital assets	17,780,919	31,255,595	49,036,514
Restricted	6,083,253	1,163,120	7,246,373
Unrestricted	<u>2,995,840</u>	<u>8,149,244</u>	<u>11,145,084</u>
Total net position	<u>\$ 26,860,012</u>	<u>\$ 40,567,959</u>	<u>\$ 67,427,971</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Financial administration	\$ 2,495,263	\$ 197,817	\$ 60,789	\$ -	\$ (2,236,657)	\$ -	\$ (2,236,657)
Planning and code enforcement	216,102	53,520	-	-	(162,582)	-	(162,582)
Public safety	4,737,774	247,343	339,659	-	(4,150,772)	-	(4,150,772)
Highways and streets	1,382,746	222,564	309,874	-	(850,308)	-	(850,308)
Recreation	1,189,509	-	-	8,000	(1,181,509)	-	(1,181,509)
Community development	683,159	-	-	465,157	(218,002)	-	(218,002)
Education	12,570,553	-	8,575,448	-	(3,995,105)	-	(3,995,105)
School food service	918,260	164,128	708,731	-	(45,401)	-	(45,401)
Sanitation	1,606,858	1,886,984	-	-	280,126	-	280,126
Total governmental activities	<u>25,800,224</u>	<u>2,772,356</u>	<u>9,994,501</u>	<u>473,157</u>	<u>(12,560,210)</u>	<u>-</u>	<u>(12,560,210)</u>
Business-type activities:							
Water and sewer	3,901,105	4,308,359	-	-	-	407,254	407,254
Electric	<u>24,165,545</u>	<u>25,002,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>836,859</u>	<u>836,859</u>
Total business-type activities	<u>28,066,650</u>	<u>29,310,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,244,113</u>	<u>1,244,113</u>
Total primary government	<u>\$53,866,874</u>	<u>\$ 32,083,119</u>	<u>\$ 9,994,501</u>	<u>\$ 473,157</u>	<u>(12,560,210)</u>	<u>1,244,113</u>	<u>(11,316,097)</u>
General Revenues:							
Property taxes					6,293,862	-	6,293,862
Sales tax					5,995,809	-	5,995,809
Automobile registration					159,988	-	159,988
Gross receipts tax					290,780	-	290,780
Alcoholic beverage taxes					393,755	-	393,755
Occupational licenses and business taxes					311,057	-	311,057
Hotel/motel taxes					143,094	-	143,094
Income taxes					271,270	-	271,270
Interest					32,952	43,210	76,162
Miscellaneous					174,975	-	174,975
Pension income					225,406	-	225,406
Gain on sale of equipment					2,452	-	2,452
Sale of supplies					53,578	-	53,578
Transfers					564,426	(564,426)	-
Total general revenues and transfers					<u>14,913,404</u>	<u>(521,216)</u>	<u>14,392,188</u>
Change in net position					2,353,194	722,897	3,076,091
Net position - beginning					26,973,093	40,341,672	67,314,765
Restatement for adoption of pension standards					<u>(2,466,275)</u>	<u>(496,610)</u>	<u>(2,962,885)</u>
Net position - beginning, restated					24,506,818	39,845,062	64,351,880
Net position - ending					<u>\$ 26,860,012</u>	<u>\$ 40,567,959</u>	<u>\$ 67,427,971</u>

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

CITY OF UNION CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 4,486,036	\$ 2,245,868	\$ 1,482,939	\$ 8,214,843
Property taxes receivable (net)	4,200,109	-	-	4,200,109
Accounts receivable (net)	-	5,704	64,356	70,060
Sales tax receivable	813,886	251,145	-	1,065,031
Other taxes receivable	507,078	-	-	507,078
Other receivables	114,659	218,504	-	333,163
Due from other funds	129,918	-	354,077	483,995
Due from grantors	14,226	5,789	63,379	83,394
Inventories	2,011	-	21,762	23,773
Restricted cash	757,303	-	-	757,303
Total assets	<u>\$11,025,226</u>	<u>\$ 2,727,010</u>	<u>\$ 1,986,513</u>	<u>\$ 15,738,749</u>
Liabilities				
Accounts payable	\$ 40	\$ 5,828	\$ 170,922	\$ 176,790
Accrued payroll and vacation pay	453,742	-	1,472	455,214
Due to other funds	35,677	-	1,704	37,381
Other payables	289,429	27,553	-	316,982
Unearned revenue	-	2,763	-	2,763
Total liabilities	<u>778,888</u>	<u>36,144</u>	<u>174,098</u>	<u>989,130</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	4,233,369	-	-	4,233,369
Unavailable revenue - intergovernmental taxes	78,680	-	-	78,680
Total deferred inflows of resources	<u>4,312,049</u>	<u>-</u>	<u>-</u>	<u>4,312,049</u>
Fund Balances				
Nonspendable - inventories	2,011	-	21,762	23,773
Nonspendable - long-term note receivable	20,000	-	-	20,000
Restricted	-	2,690,866	1,483,528	4,174,394
Committed	150,921	-	308,576	459,497
Assigned	1,485,570	-	-	1,485,570
Unassigned	4,275,787	-	(1,451)	4,274,336
Total fund balances	<u>5,934,289</u>	<u>2,690,866</u>	<u>1,812,415</u>	<u>10,437,570</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$11,025,226</u>	<u>\$ 2,727,010</u>	<u>\$ 1,986,513</u>	<u>\$ 15,738,749</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, 2015

Total fund balances of governmental funds	\$ 10,437,570
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.	25,762,172
Other long-term assets, including pension assets and related deferred outflows, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,001,309
Long-term liabilities, including pension liabilities and deferred inflows related to pensions, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,341,039)</u>
Net position of governmental activities	<u>\$ 26,860,012</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, 2015

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local taxes	\$ 8,771,996	\$ 3,472,847	\$ 143,094	\$ 12,387,937
Licenses and permits	216,697	-	-	216,697
Intergovernmental revenue	1,535,452	7,302,032	2,461,887	11,299,371
Fines, forfeitures and penalties	118,204	-	229,110	347,314
Sales	-	-	131,506	131,506
Charges for services	139,362	-	1,886,984	2,026,346
Interest	19,406	12,178	1,368	32,952
Local food service revenue	-	-	164,128	164,128
Other revenue	446,989	97,940	91,672	636,601
Total revenues	11,248,106	10,884,997	5,109,749	27,242,852
Expenditures				
Current:				
Financial administration	1,728,091	-	7,157	1,735,248
Planning and code enforcement	219,557	-	-	219,557
Public safety	4,714,922	-	9,093	4,724,015
Highways and streets	843,635	-	375,340	1,218,975
Recreation	1,077,487	-	-	1,077,487
Community development	3,888	-	679,271	683,159
Education	76,707	11,925,192	1,092,023	13,093,922
School food service	-	-	906,088	906,088
Sanitation	88,898	-	1,497,484	1,586,382
Debt service:				
Principal	273,000	395,000	-	668,000
Interest	123,752	172,300	-	296,052
Capital outlay:				
Planning and code enforcement	24,956	-	-	24,956
Public safety	8,125	-	90,878	99,003
Highways and streets	44,350	-	-	44,350
Recreation	111,068	-	-	111,068
Education	-	152,272	-	152,272
Total expenditures	9,338,436	12,644,764	4,657,334	26,640,534
Revenues over (under) expenditures	1,909,670	(1,759,767)	452,415	602,318
Other financing sources (uses)				
Insurance recoveries	127,217	-	-	127,217
Transfers in	564,426	1,779,800	-	2,344,226
Transfers out	(1,779,800)	-	-	(1,779,800)
Net change in fund balances	821,513	20,033	452,415	1,293,961
Fund balances - July 1, 2014	5,112,776	2,670,833	1,372,172	9,155,781
Change in inventory - purchases method	-	-	(12,172)	(12,172)
Fund balances - June 30, 2015	<u>\$ 5,934,289</u>	<u>\$ 2,690,866</u>	<u>\$ 1,812,415</u>	<u>\$ 10,437,570</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, 2015

Net change in fund balances of governmental funds	\$ 1,293,961
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 depreciation exceeded capital outlay in the current period.	(682,644)
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.	(3,333)
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.	(3,150)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayments	668,000
Pension contributions are reported as expenditures in the governmental funds. However, pension expense in the statement of activities is primarily the result of changes in the components of the net pension liability over the current and future periods.	1,078,687
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>1,673</u>
Change in net position of governmental activities	<u>\$ 2,353,194</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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
REVENUES				
Local taxes				
Property taxes	\$ 3,996,176	\$ 3,996,176	\$ 4,032,951	\$ 36,775
Property tax interest and penalties	45,000	45,000	57,414	12,414
In lieu of property taxes - industry	13,200	13,200	-	(13,200)
Local sales tax	3,500,000	3,500,000	3,738,751	238,751
Wholesale beer tax	320,000	320,000	334,893	14,893
Gross receipts tax	280,000	280,000	290,780	10,780
Mixed drink tax	7,000	7,000	6,150	(850)
Cable TV franchise tax	125,000	125,000	135,148	10,148
Natural gas franchise tax	170,000	170,000	175,909	5,909
Total local taxes	<u>8,456,376</u>	<u>8,456,376</u>	<u>8,771,996</u>	<u>315,620</u>
Licenses and permits				
Automobile registration	160,000	160,000	159,988	(12)
Privilege licenses	1,000	1,000	1,375	375
Animal registrations	600	600	220	(380)
Natural gas permits	1,200	1,200	639	(561)
Flea market permits	1,000	1,000	-	(1,000)
Solicitation permits	250	250	505	255
Building permits	20,000	20,000	53,520	33,520
Plumbing permits	500	500	450	(50)
Total licenses and permits	<u>184,550</u>	<u>184,550</u>	<u>216,697</u>	<u>32,147</u>
Intergovernmental revenues				
Housing Authority - in lieu of tax	33,880	33,880	33,488	(392)
State sales tax	789,888	789,888	826,218	36,330
State income tax	150,000	150,000	244,935	94,935
State beer tax	5,448	5,448	5,211	(237)
Alcoholic beverage tax	40,000	40,000	47,504	7,504
Petroleum special tax	22,335	22,335	22,226	(109)
Corporate excise tax	25,000	25,000	29,775	4,775
Federal grant proceeds	456,591	456,591	166,586	(290,005)
State police and fire supplements	34,000	34,000	31,800	(2,200)
Other state revenue allocations	125,000	125,000	127,709	2,709
Total intergovernmental revenues	<u>1,682,142</u>	<u>1,682,142</u>	<u>1,535,452</u>	<u>(146,690)</u>
Charges for services				
Fees and commissions	6,000	6,000	5,707	(293)
Rural fire service	128,000	128,000	122,593	(5,407)
Auditorium charges	4,000	4,000	4,881	881
Other general government charges	3,750	3,750	6,181	2,431
Total charges for services	<u>141,750</u>	<u>141,750</u>	<u>139,362</u>	<u>(2,388)</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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Fines, forfeitures and penalties				
City court fines and costs	95,000	95,000	105,028	10,028
False alarm fees	700	700	114	(586)
State and city litigation fees	1,000	1,000	1,155	155
Dog impoundment charges	2,500	2,500	5,183	2,683
Seat belts	4,000	4,000	6,724	2,724
Total fines, forfeitures and penalties	<u>103,200</u>	<u>103,200</u>	<u>118,204</u>	<u>15,004</u>
Interest	<u>10,750</u>	<u>10,750</u>	<u>19,406</u>	<u>8,656</u>
Other revenues				
Contributions	122,796	122,796	165,004	42,208
Rent	72,261	72,261	172,048	99,787
Sale of land and equipment	1,000	1,000	12,183	11,183
Sale of cemetery lots	10,000	10,000	9,000	(1,000)
Sale of supplies	55,000	55,000	53,578	(1,422)
Miscellaneous refunds	-	-	29,603	29,603
Miscellaneous revenue	-	-	5,573	5,573
Total other revenues	<u>261,057</u>	<u>261,057</u>	<u>446,989</u>	<u>185,932</u>
Total revenues	<u>10,839,825</u>	<u>10,839,825</u>	<u>11,248,106</u>	<u>408,281</u>
EXPENDITURES				
Financial administration				
Salaries	201,807	201,807	210,727	8,920
Payroll taxes	15,438	15,438	15,299	(139)
Hospitalization insurance	23,787	23,787	22,787	(1,000)
Retirement costs	9,371	9,371	9,271	(100)
Workmen's compensation	1,126	1,126	1,137	11
Unemployment insurance	1,000	1,000	-	(1,000)
Postage and box rent	300	300	137	(163)
Publications	3,500	3,500	8,111	4,611
Memberships and registrations	5,500	5,500	5,153	(347)
Public relations	5,000	5,000	1,439	(3,561)
Utilities	414,200	414,200	338,363	(75,837)
Telephone and internet	3,800	3,800	2,476	(1,324)
Legal services	10,000	10,000	8,258	(1,742)
Auditing services	11,725	11,725	11,745	20
Data processing services	405,000	405,000	114,509	(290,491)
Repair - equipment	15,000	15,000	15,466	466
Repair - traffic signals	15,000	15,000	28,074	13,074
Repair - buildings	30,000	30,000	5,803	(24,197)
Repair - 2015 storm damage	-	-	123,310	123,310

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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Repair - other	25,000	25,000	36,450	11,450
Travel expense	2,000	2,000	702	(1,298)
Office supplies and materials	6,200	6,200	9,357	3,157
Electrical supplies	7,000	7,000	6,757	(243)
Other supplies	4,500	4,500	4,143	(357)
Gas, oil, diesel fuel and grease	100	100	-	(100)
Insurance on buildings	39,800	39,800	39,516	(284)
Liability insurance	75,260	75,260	77,448	2,188
Bank service charges	-	-	3,772	3,772
Payments in lieu of tax	7,200	7,200	5,601	(1,599)
Retirement of bonds and notes	236,000	236,000	236,000	-
Interest and fees on bonds and notes	121,123	121,123	120,902	(221)
Grants and contributions	711,099	711,099	659,288	(51,811)
Capital outlay - land	-	-	1,000	1,000
Capital outlay - equipment	5,000	5,000	1,842	(3,158)
Total financial administration	<u>2,411,836</u>	<u>2,411,836</u>	<u>2,124,843</u>	<u>(286,993)</u>
Planning and code enforcement				
Salaries	92,555	92,555	84,440	(8,115)
Payroll taxes	7,081	7,081	6,329	(752)
Hospitalization insurance	11,573	11,573	6,572	(5,001)
Retirement costs	5,146	5,146	3,871	(1,275)
Workmen's compensation	6,467	6,467	6,416	(51)
Postage and box rent	750	750	337	(413)
TV and radio services	300	300	-	(300)
Telephone and telegraph	300	300	161	(139)
Planning assistance	11,250	11,250	11,250	-
Vehicle repairs	700	700	171	(529)
Repair and maintenance - slum clearance	150,000	150,000	83,309	(66,691)
Travel expense	2,000	2,000	1,326	(674)
Stormwater permit fee	4,000	4,000	4,247	247
Office supplies and materials	2,800	2,800	2,333	(467)
Clothing and uniforms	275	275	467	192
Operating supplies	2,000	2,000	2,097	97
Gas, oil, diesel fuel and grease	2,500	2,500	1,206	(1,294)
Capital outlay - transportation equipment	26,000	26,000	25,532	(468)
Capital outlay - other equipment	5,500	5,500	4,449	(1,051)
Total planning and code enforcement	<u>331,197</u>	<u>331,197</u>	<u>244,513</u>	<u>(86,684)</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, 2015

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Police department				
Salaries	1,806,863	1,806,863	1,775,138	(31,725)
Salary supplement	20,000	20,000	17,400	(2,600)
Payroll taxes	134,395	134,395	133,357	(1,038)
Hospitalization insurance	221,759	221,759	220,710	(1,049)
Retirement costs	96,325	96,325	92,099	(4,226)
Workmen's compensation	124,390	124,390	122,895	(1,495)
Unemployment	500	500	3,212	2,712
Postage and box rent	800	800	875	75
TV and radio services	8,000	8,000	2,933	(5,067)
Radio communication and transmission	6,000	6,000	4,360	(1,640)
Membership and registration fees	5,000	5,000	5,017	17
Public relations	3,000	3,000	1,767	(1,233)
Utilities	9,700	9,700	7,944	(1,756)
Telephone	12,000	12,000	9,470	(2,530)
Vehicle repair	25,000	25,000	31,647	6,647
Building repair	10,000	10,000	10,302	302
Other repair	10,000	10,000	10,589	589
Travel expense	8,000	8,000	10,909	2,909
Office supplies and materials	8,500	8,500	6,454	(2,046)
Clothing and uniforms	7,500	7,500	5,448	(2,052)
Educational supplies	4,000	4,000	5,712	1,712
Operating supplies	4,000	4,000	15,568	11,568
Gas, oil, diesel fuel and grease	85,000	85,000	63,696	(21,304)
Homeland security expense	45,000	45,000	21,352	(23,648)
Capital outlay - equipment	10,000	10,000	10,000	-
Total police department	<u>2,665,732</u>	<u>2,665,732</u>	<u>2,588,854</u>	<u>(76,878)</u>
Fire department				
Salaries	1,440,635	1,440,635	1,451,224	10,589
Salary supplement	19,200	19,200	14,400	(4,800)
Payroll taxes	105,371	105,371	107,587	2,216
Hospitalization insurance	170,154	170,154	155,428	(14,726)
Retirement costs	76,585	76,585	77,570	985
Workmen's compensation	98,824	98,824	97,781	(1,043)
Postage and box rent	1,500	1,500	1,056	(444)
TV and radio services	4,000	4,000	2,414	(1,586)
Memberships, registrations	250	250	250	-
Public relations	200	200	-	(200)
Utilities	38,000	38,000	38,942	942
Telephone	6,500	6,500	5,070	(1,430)
Vehicle repair	20,000	20,000	15,863	(4,137)
Building repair	10,000	10,000	10,446	446
Other repair	6,000	6,000	1,670	(4,330)

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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Travel expense	1,000	1,000	1,509	509
Office supplies and materials	2,500	2,500	3,121	621
Janitorial supplies	4,000	4,000	4,870	870
Clothing and uniforms	4,500	4,500	4,785	285
Educational supplies	1,300	1,300	1,210	(90)
Operating supplies	15,000	15,000	8,088	(6,912)
Gas, oil, diesel fuel and grease	16,000	16,000	12,159	(3,841)
Capital outlay - equipment	38,000	38,000	22,019	(15,981)
FEMA grant expenses	700	700	15,836	15,136
Total fire department	<u>2,080,219</u>	<u>2,080,219</u>	<u>2,053,298</u>	<u>(26,921)</u>
Animal control				
Salaries	48,967	48,967	46,880	(2,087)
Payroll taxes	3,692	3,692	3,487	(205)
Hospitalization insurance	2,925	2,925	3,786	861
Retirement costs	2,684	2,684	1,835	(849)
Workers' compensation and unemployment	3,250	3,250	3,043	(207)
Membership fees and education	1,000	1,000	-	(1,000)
Utilities	7,500	7,500	7,316	(184)
Telephone	1,000	1,000	901	(99)
Repair and maintenance	1,750	1,750	1,501	(249)
Boarding animals	2,000	2,000	4,810	2,810
Office supplies and materials	500	500	141	(359)
Clothing and uniforms	200	200	727	527
Operating supplies	2,500	2,500	2,746	246
Gas, oil, diesel fuel and grease	2,000	2,000	1,569	(431)
Capital outlay - equipment	<u>3,000</u>	<u>3,000</u>	<u>2,153</u>	<u>(847)</u>
Total animal control	<u>82,968</u>	<u>82,968</u>	<u>80,895</u>	<u>(2,073)</u>
Solid waste				
Salaries	45,825	45,825	34,089	(11,736)
Payroll taxes	3,472	3,472	1,986	(1,486)
Hospitalization insurance	3,517	3,517	3,856	339
Retirement costs	884	884	1,290	406
Workers' compensation and unemployment	773	773	3,160	2,387
Principal payments on debt	37,000	37,000	37,000	-
Interest on debt	2,850	2,850	2,850	-
Other improvements - building	<u>10,000</u>	<u>10,000</u>	<u>4,667</u>	<u>(5,333)</u>
Total solid waste	<u>104,321</u>	<u>104,321</u>	<u>88,898</u>	<u>(15,423)</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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Street department				
Salaries	350,342	350,342	354,465	4,123
Temporary employees	56,809	56,809	52,434	(4,375)
Payroll taxes	26,333	26,333	26,702	369
Hospitalization insurance	44,680	44,680	36,328	(8,352)
Retirement costs	19,137	19,137	19,729	592
Workmen's compensation	40,767	40,767	40,330	(437)
TV and radio services	500	500	-	(500)
Memberships, registrations	500	500	225	(275)
Utilities	14,500	14,500	14,948	448
Telephone	5,000	5,000	2,299	(2,701)
Architectural, engineering	3,000	3,000	1,040	(1,960)
Vehicle repair	45,000	45,000	78,629	33,629
Ground repair	300	300	317	17
Building repair	7,500	7,500	1,529	(5,971)
Road repair	75,000	75,000	84,415	9,415
Other repairs	11,000	11,000	9,566	(1,434)
Travel expense	500	500	32	(468)
Machinery rental	35,000	35,000	37,426	2,426
Office supplies and materials	1,200	1,200	502	(698)
Operating supplies	7,000	7,000	8,434	1,434
Gas, oil, diesel fuel and grease	40,000	40,000	48,971	8,971
Consumable tools	5,000	5,000	5,174	174
Sign parts and supplies	15,000	15,000	10,219	(4,781)
Capital outlay - roads, streets	300,000	300,000	-	(300,000)
Capital outlay - building improvements	30,000	30,000	3,133	(26,867)
Capital outlay - transportation equipment	45,000	45,000	44,350	(650)
Capital outlay - machinery and equipment	14,000	14,000	6,788	(7,212)
Total street department	<u>1,193,068</u>	<u>1,193,068</u>	<u>887,985</u>	<u>(305,083)</u>
City Beautiful				
Improvements	<u>11,765</u>	<u>11,765</u>	<u>3,888</u>	<u>(7,877)</u>
Education				
Building insurance	<u>77,246</u>	<u>77,246</u>	<u>76,707</u>	<u>(539)</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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Park administration				
Salaries	206,438	206,438	200,555	(5,883)
Temporary employees	170,000	170,000	150,060	(19,940)
Payroll taxes	15,812	15,812	15,138	(674)
Hospitalization insurance	17,318	17,318	27,980	10,662
Retirement costs	11,492	11,492	8,106	(3,386)
Workmen's compensation	9,487	9,487	9,129	(358)
Postage and box rent	500	500	98	(402)
TV and radio services	100	100	1,035	935
Utilities	79,000	79,000	80,768	1,768
Telephone	5,500	5,500	4,046	(1,454)
Vehicle repairs	4,000	4,000	5,829	1,829
Ground repair	45,000	45,000	60,055	15,055
Other repair	4,000	4,000	2,420	(1,580)
Travel expense	500	500	-	(500)
Agriculture and horticulture	1,000	1,000	726	(274)
Recreation supplies	10,000	10,000	18,726	8,726
Operating supplies	10,000	10,000	11,980	1,980
Gas, oil, diesel fuel and grease	25,000	25,000	21,205	(3,795)
Consumable tools	10,000	10,000	(731)	(10,731)
Grants and donations to others	1,500	1,500	1,500	-
Capital outlay - improvements	-	-	12,980	12,980
Capital outlay - machinery and equipment	97,000	97,000	63,844	(33,156)
Total park administration	<u>723,647</u>	<u>723,647</u>	<u>695,449</u>	<u>(28,198)</u>
Turf management				
Salaries	170,669	170,669	201,903	31,234
Payroll taxes	12,674	12,674	14,772	2,098
Hospitalization insurance	11,573	11,573	11,211	(362)
Retirement costs	6,153	6,153	6,149	(4)
Workmen's compensation	8,747	8,747	8,653	(94)
Postage and box rent	20	20	24	4
Membership, education	1,500	1,500	1,415	(85)
Utilities	5,000	5,000	4,392	(608)
Telephone	3,500	3,500	3,792	292
Vehicle repairs	15,000	15,000	9,974	(5,026)
Grounds repair and maintenance	60,000	60,000	69,297	9,297
Repair and maintenance - facility	25,000	25,000	27,167	2,167
Other repair and maintenance	5,000	5,000	4,472	(528)
Travel	500	500	642	142
Office supplies	2,000	2,000	2,229	229
Agriculture/horticulture	15,000	15,000	16,280	1,280
Clothing and uniforms	2,000	2,000	1,799	(201)
Operating supplies	5,000	5,000	7,410	2,410

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Gas, oil and diesel fuel	10,000	10,000	10,164	164
Consumable tools	3,000	3,000	3,901	901
Capital outlay - improvements	85,000	85,000	81,312	(3,688)
Capital outlay - machinery and equipment	10,000	10,000	6,148	(3,852)
Total turf management	<u>457,336</u>	<u>457,336</u>	<u>493,106</u>	<u>35,770</u>
Total expenditures	<u>10,139,335</u>	<u>10,139,335</u>	<u>9,338,436</u>	<u>(800,899)</u>
Revenues over expenditures	700,490	700,490	1,909,670	1,209,180
Other financing sources (uses)				
Insurance recoveries	-	-	127,217	127,217
Transfers in	535,000	535,000	564,426	29,426
Transfers out	(1,242,500)	(1,242,500)	(1,212,500)	(30,000)
Debt service on school assets	<u>(567,300)</u>	<u>(567,300)</u>	<u>(567,300)</u>	<u>-</u>
Net change in fund balance	<u>(574,310)</u>	<u>(574,310)</u>	<u>821,513</u>	<u>1,395,823</u>
Fund balance - July 1, 2014	<u>5,112,776</u>	<u>5,112,776</u>	<u>5,112,776</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ 4,538,466</u>	<u>\$ 4,538,466</u>	<u>\$ 5,934,289</u>	<u>\$ 1,395,823</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, 2015

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUES				
County tax revenues				
Property tax - current year	\$ 1,700,000	\$ 1,700,000	\$ 1,897,755	\$ 197,755
Property tax - prior years trustee	40,000	40,000	52,912	12,912
Property tax - prior years others	8,000	8,000	28,373	20,373
Payments in lieu of taxes	19,000	19,000	12,481	(6,519)
Bank excise taxes	5,000	5,000	5,662	662
Interest and penalty on delinquent taxes	6,000	6,000	11,474	5,474
Business tax, licenses, fines and fees	15,500	15,500	33,643	18,143
Total county tax revenues	<u>1,793,500</u>	<u>1,793,500</u>	<u>2,042,300</u>	<u>248,800</u>
Local option sales tax	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,430,547</u>	<u>180,547</u>
State funds for operations				
Basic education program	6,779,211	6,743,000	6,804,000	61,000
Early childhood education	190,035	190,035	190,035	-
Career ladder program	59,431	55,661	55,250	(411)
Career ladder extended contract	37,066	37,720	37,720	-
Mixed drink tax	350	350	614	264
Other state funds	88,400	121,730	128,716	6,986
Total state funds for operations	<u>7,154,493</u>	<u>7,148,496</u>	<u>7,216,335</u>	<u>67,839</u>
Federal funds				
Public law 874	<u>-</u>	<u>-</u>	<u>1,228</u>	<u>1,228</u>
Interest earned on investments	<u>10,000</u>	<u>10,000</u>	<u>12,178</u>	<u>2,178</u>
Local revenue				
Receipts from individuals	5,000	5,000	7,106	2,106
Community service fees	51,524	51,524	42,929	(8,595)
Miscellaneous refunds	18,000	16,241	16,241	-
Sale of property	-	-	2,995	2,995
Contributions and gifts	-	-	2,600	2,600
Other local revenues	23,100	31,600	26,069	(5,531)
Total local revenue	<u>97,624</u>	<u>104,365</u>	<u>97,940</u>	<u>(6,425)</u>
Total revenues	<u>10,305,617</u>	<u>10,306,361</u>	<u>10,800,528</u>	<u>494,167</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, 2015

		<u>Budgeted Amounts</u>		<u>Variance</u>
		<u>Original</u>	<u>Final</u>	<u>Over</u> <u>(Under)</u>
EXPENDITURES				
Instruction				
Regular instruction:				
Teachers	3,729,002	3,729,002	3,666,016	(62,986)
Career ladder program	28,000	24,000	24,000	-
Career ladder - extended contract	22,800	24,325	24,325	-
Homebound teachers	4,000	4,000	325	(3,675)
Educational assistants	220,416	220,416	187,304	(33,112)
Other salaries and wages	10,000	12,000	7,535	(4,465)
Substitute teachers	60,150	60,300	34,575	(25,725)
Noncertified substitute teachers	18,140	18,280	9,695	(8,585)
Social security	253,737	253,726	231,371	(22,355)
State retirement	362,093	362,050	349,544	(12,506)
Life insurance	2,733	2,733	2,913	180
Medical insurance	974,633	974,633	912,248	(62,385)
Unemployment compensation	10,000	10,000	3,432	(6,568)
Medicare	59,343	59,341	54,111	(5,230)
Maintenance and repairs	13,617	12,050	5,281	(6,769)
Other contracted services	87,530	96,980	97,536	556
Food supplies	1,903	3,256	689	(2,567)
Instructional supplies and materials	122,211	128,078	99,970	(28,108)
Textbooks	95,000	85,495	90,347	4,852
Refunds	3,000	6,470	4,220	(2,250)
Other charges	8,000	13,203	11,200	(2,003)
Regular instruction equipment	252,179	473,844	357,986	(115,858)
Total regular education	6,338,487	6,574,182	6,174,623	(399,559)
Special education:				
Teachers	338,710	345,380	345,380	-
Career ladder program	2,000	2,000	2,000	-
Homebound teachers	3,000	3,000	-	(3,000)
Speech pathologist	48,190	48,190	48,190	-
Other salaries and wages	500	500	-	(500)
Substitute teachers	5,000	5,000	2,154	(2,846)
Noncertified substitute teachers	1,200	1,200	1,225	25
Social security	24,714	25,128	23,198	(1,930)
State retirement	35,473	36,076	35,760	(316)
Life insurance	249	249	266	17
Medical insurance	76,081	83,543	83,543	-
Medicare	5,780	5,877	5,425	(452)
Total special education	540,897	556,143	547,141	(9,002)

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, 2015

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Over (Under)
Vocational education:				
Teachers	250,300	243,630	234,535	(9,095)
Career ladder program	2,000	1,000	1,000	-
Substitute teachers	5,000	5,000	3,113	(1,887)
Noncertified substitute teachers	1,000	1,000	350	(650)
Social security	16,015	15,539	13,944	(1,595)
State retirement	22,808	22,115	21,279	(836)
Life insurance	166	166	175	9
Medical insurance	63,626	60,067	55,192	(4,875)
Medicare	3,746	3,634	3,261	(373)
Maintenance and repair - equipment	500	500	82	(418)
Instructional supplies	5,500	5,500	1,044	(4,456)
Other charges	1,500	1,500	-	(1,500)
Total vocational education	<u>372,161</u>	<u>359,651</u>	<u>333,975</u>	<u>(25,676)</u>
Support services				
Attendance:				
Director	27,943	27,943	25,220	(2,723)
Career ladder program	1,500	1,500	1,354	(146)
Other salaries and wages	1,400	1,400	1,400	-
Social security	1,913	1,913	1,734	(179)
Medicare	448	448	406	(42)
Travel	2,600	2,600	1,609	(991)
Other supplies and materials	600	600	336	(264)
Total attendance	<u>36,404</u>	<u>36,404</u>	<u>32,059</u>	<u>(4,345)</u>
Health services:				
Medical personnel	33,285	33,285	33,285	-
Other salaries and wages	51,276	50,776	50,776	-
Social security	5,244	4,952	4,761	(191)
State retirement	7,481	7,298	7,296	(2)
Life insurance	56	58	59	1
Medical insurance	23,273	23,601	23,600	(1)
Medicare	1,227	1,159	1,113	(46)
Maintenance and repair - equipment	250	250	-	(250)
Travel	2,000	779	779	-
Other contracted services	2,625	2,000	-	(2,000)
Drugs and medical supplies	2,100	2,100	1,021	(1,079)
Other supplies and materials	3,319	5,878	5,969	91
Total health services	<u>132,136</u>	<u>132,136</u>	<u>128,659</u>	<u>(3,477)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other student support:				
Career ladder program	5,000	5,000	5,000	-
Guidance personnel	159,998	159,998	159,998	-
Certified substitute teachers	3,000	-	-	-
Social security	10,416	10,230	9,632	(598)
State retirement	15,188	14,917	14,916	(1)
Life insurance	83	83	82	(1)
Medical insurance	28,966	27,937	26,265	(1,672)
Medicare	2,436	2,392	2,253	(139)
Evaluation and testing	28,000	20,203	18,429	(1,774)
Other contracted services	90,438	86,448	86,448	-
Total other student support	343,525	327,208	323,023	(4,185)
Regular instruction:				
Director	76,103	76,103	76,103	-
Career ladder program	6,700	6,800	6,200	(600)
Librarians	97,550	97,550	97,550	-
Instructional computer personnel	18,962	18,962	17,472	(1,490)
Secretaries	3,000	16,800	18,648	1,848
Clerical personnel	17,160	17,160	17,160	-
Educational assistants	14,400	600	-	(600)
Bonus payments	209,000	209,462	209,462	-
Other salaries and wages	245,941	241,667	110,115	(131,552)
Certified substitute teachers	1,060	450	450	-
Noncertified substitute teachers	140	140	-	(140)
Social security	42,783	42,514	33,313	(9,201)
State retirement	62,142	61,831	48,531	(13,300)
Life insurance	194	194	183	(11)
Medical insurance	72,606	53,295	52,694	(601)
Medicare	10,009	9,946	7,791	(2,155)
Travel	19,000	15,319	12,435	(2,884)
Other contracted services	-	1,000	220	(780)
Library books	15,774	15,774	15,079	(695)
Other supplies and materials	1,000	1,000	358	(642)
Inservice/staff development	8,000	9,179	8,912	(267)
Total regular education	921,524	895,746	732,676	(163,070)

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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Special education:				
Director	33,718	33,718	33,173	(545)
Career ladder program	1,800	1,800	1,800	-
Clerical personnel	17,160	17,160	17,160	-
Other salaries and wages	1,400	1,400	-	(1,400)
Social security	3,353	3,353	3,217	(136)
State retirement	4,827	4,827	1,489	(3,338)
Life insurance	14	14	15	1
Medicare	785	785	753	(32)
Total special education	<u>63,057</u>	<u>63,057</u>	<u>57,607</u>	<u>(5,450)</u>
Vocational education:				
Director	9,958	9,958	7,958	(2,000)
Social security	618	618	466	(152)
State retirement	901	901	719	(182)
Medicare	145	145	109	(36)
Total vocational education	<u>11,622</u>	<u>11,622</u>	<u>9,252</u>	<u>(2,370)</u>
Board of education:				
Audit services	22,200	22,200	20,037	(2,163)
Dues and memberships	6,000	6,000	5,274	(726)
Legal services	10,000	10,000	4,761	(5,239)
Travel	12,500	12,500	6,236	(6,264)
Other contracted services	4,000	4,000	3,610	(390)
Liability insurance	13,710	15,007	15,007	-
Trustee commissions	52,000	52,000	52,236	236
Workmen's compensation insurance	59,015	59,570	59,469	(101)
Criminal investigation	250	250	-	(250)
Refund to applicant	250	250	42	(208)
Other charges	32,099	32,099	25,419	(6,680)
Total board of education	<u>212,024</u>	<u>213,876</u>	<u>192,091</u>	<u>(21,785)</u>
Director of schools:				
County official/administrative officer	106,775	106,775	106,775	-
Career ladder program	1,000	1,000	1,000	-
Secretaries	37,440	37,440	37,440	-
Other salaries and wages	12,455	12,455	7,920	(4,535)
Social security	9,776	9,776	9,076	(700)
State retirement	14,115	14,115	13,709	(406)
Life insurance	56	56	59	3
Medical insurance	21,356	22,410	22,410	-
Medicare	2,287	2,287	2,122	(165)
Communication	59,000	52,950	45,784	(7,166)

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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Dues and memberships	3,000	3,000	1,904	(1,096)
Maintenance and repair - equipment	500	500	101	(399)
Postal charges	3,000	3,000	914	(2,086)
Travel	7,000	7,000	8,370	1,370
Other contracted services	4,000	4,000	4,783	783
Office supplies	7,000	7,000	6,485	(515)
Other charges	6,000	6,000	2,521	(3,479)
Administration equipment	10,000	10,000	3,801	(6,199)
Total director of schools	<u>304,760</u>	<u>299,764</u>	<u>275,174</u>	<u>(24,590)</u>
Office of the principal:				
Principals	211,207	219,476	219,475	(1)
Career ladder program	4,000	5,000	5,000	-
Accountants/bookkeepers	25,407	25,407	25,407	-
Career ladder extended contracts	8,000	8,000	8,000	-
Assistant principals	186,215	178,602	178,601	(1)
Secretaries	85,307	85,307	85,306	(1)
Other salaries	7,000	7,000	7,000	-
Social security	32,683	32,786	30,895	(1,891)
State retirement	47,244	47,394	47,404	10
Life insurance	304	304	309	5
Medical insurance	117,946	118,452	118,749	297
Medicare	7,644	7,669	7,225	(444)
Dues and memberships	5,000	5,000	4,219	(781)
Travel	7,500	7,500	381	(7,119)
Other contracted services	6,000	6,000	2,475	(3,525)
Administration equipment	16,000	16,000	738	(15,262)
Total office of the principal	<u>767,457</u>	<u>769,897</u>	<u>741,184</u>	<u>(28,713)</u>
Fiscal services:				
Supervisor/director	64,470	64,470	58,189	(6,281)
Accountants/bookkeepers	67,470	67,470	60,740	(6,730)
Social security	8,180	8,180	6,909	(1,271)
State retirement	11,453	11,453	10,323	(1,130)
Life insurance	83	83	80	(3)
Medical insurance	36,085	36,085	32,568	(3,517)
Medicare	1,914	1,914	1,616	(298)
Travel	1,500	1,500	-	(1,500)
Other contracted services	4,000	4,000	3,778	(222)
Data processing supplies	2,500	2,500	2,986	486
Administration equipment	2,000	2,000	1,575	(425)
Total fiscal services	<u>199,655</u>	<u>199,655</u>	<u>178,764</u>	<u>(20,891)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Operation of plant:				
Custodial salaries	54,540	54,540	52,925	(1,615)
Other salaries and wages	2,500	2,500	775	(1,725)
Social security	3,537	3,537	3,066	(471)
State retirement	4,952	4,952	3,585	(1,367)
Life insurance	56	56	59	3
Medical insurance	20,451	20,451	20,451	-
Medicare	828	828	717	(111)
Janitorial services	267,650	267,650	245,198	(22,452)
Maintenance and repairs	500	500	-	(500)
Rental	1,500	1,500	440	(1,060)
Custodial supplies	12,000	12,000	8,712	(3,288)
Electricity	373,600	373,570	377,169	3,599
Natural gas	70,000	70,000	62,930	(7,070)
Water and sewer	53,000	53,000	42,025	(10,975)
Building and content insurance	30,785	30,785	30,785	-
Plant operation equipment	2,000	10,020	8,008	(2,012)
Total operation of plant	<u>897,899</u>	<u>905,889</u>	<u>856,845</u>	<u>(49,044)</u>
Maintenance of plant:				
Supervisor's salary	48,132	48,132	47,021	(1,111)
Maintenance personnel	94,869	94,869	90,857	(4,012)
Other salaries	81,400	94,500	88,084	(6,416)
Social security	13,913	14,726	13,734	(992)
State retirement	19,767	20,952	14,451	(6,501)
Life insurance	111	111	118	7
Medical insurance	24,915	24,915	24,915	-
Medicare	3,254	3,444	3,212	(232)
Communications	2,500	2,500	1,690	(810)
Maintenance and repair - buildings	60,000	75,000	80,775	5,775
Maintenance and repair - equipment	50,000	50,000	28,461	(21,539)
Maintenance and repair - vehicles	3,500	3,500	1,110	(2,390)
Other contracted services	25,000	25,000	21,643	(3,357)
Equipment machinery and parts	1,200	1,200	546	(654)
Supplies	1,400	1,400	435	(965)
Other charges	26,000	26,000	15,150	(10,850)
Maintenance equipment	14,900	19,292	20,214	922
Total maintenance of plant	<u>470,861</u>	<u>505,541</u>	<u>452,416</u>	<u>(53,125)</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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Transportation:				
Bus drivers' salaries	90,000	90,000	87,802	(2,198)
Social security	5,580	5,580	5,391	(189)
Medicare	7,812	7,812	7,798	(14)
State retirement	1,305	1,305	1,261	(44)
Contracts with other schools	1,000	1,000	598	(402)
Contracts with public carriers	-	3,000	3,000	-
Maintenance and repair - vehicles	26,000	26,000	21,924	(4,076)
Gasoline	50,000	50,000	46,685	(3,315)
Tires and tubes	5,000	5,000	1,916	(3,084)
Vehicle and equipment insurance	250	250	-	(250)
Inservice/staff development	8,329	8,329	8,329	-
Other charges	3,000	3,000	650	(2,350)
Other supplies and materials	3,000	3,000	4,040	1,040
Transportation equipment	90,000	90,000	79,748	(10,252)
Total transportation	<u>291,276</u>	<u>294,276</u>	<u>269,142</u>	<u>(25,134)</u>
Food service:				
Food service equipment	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Community service:				
Supervisor's salary	11,320	11,320	10,466	(854)
Part-time personnel	28,500	28,500	25,525	(2,975)
Social security	2,469	2,469	2,232	(237)
State retirement	3,457	3,457	2,235	(1,222)
Medicare	578	578	522	(56)
Food supplies	3,500	3,500	2,101	(1,399)
Other supplies	1,200	1,200	678	(522)
Other charges	500	500	444	(56)
Total community service	<u>51,524</u>	<u>51,524</u>	<u>44,203</u>	<u>(7,321)</u>
Early childhood education:				
Teachers	104,040	104,040	102,710	(1,330)
Aides	27,552	27,552	28,334	782
Certified substitute	2,500	2,500	975	(1,525)
Noncertified substitute teachers	200	200	-	(200)
Social security	8,327	8,327	7,552	(775)
State retirement	11,797	11,797	11,526	(271)
Life insurance	111	111	118	7
Employee insurance - health	43,695	43,695	43,694	(1)
Employer medicare	1,948	1,948	1,766	(182)
Food supplies	2,500	2,500	2,350	(150)
Instructional supplies	2,000	2,000	1,806	(194)
Total early childhood education	<u>204,670</u>	<u>204,670</u>	<u>200,831</u>	<u>(3,839)</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, 2015

	<u>Budgeted Amounts</u>		<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>	
Capital outlay:			
Building improvements	<u>819,615</u>	<u>585,850</u>	<u>363,552</u>
Total expenditures	<u>12,994,554</u>	<u>13,002,091</u>	<u>11,913,217</u>
Revenues over (under) expenditures	<u>(2,688,937)</u>	<u>(2,695,730)</u>	<u>(1,112,689)</u>
Other financing sources (uses)			
Transfers in	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>
Net change in fund balance	<u>\$ (1,476,437)</u>	<u>\$ (1,483,230)</u>	<u>\$ 99,811</u>
Reconciliation to Governmental Statement of Revenues, Expenditures and Changes in Fund Balance:			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Net change in fund balance - budgetary basis			<u>\$ 99,811</u>
State on-behalf payments for postretirement benefits	\$ 84,469	\$ 84,469	-
Encumbrances - current year	-	(238,056)	238,056
Encumbrances - prior year	-	317,834	(317,834)
Debt service - principal on bonds payable	-	395,000	(395,000)
Debt service - interest on bonds payable	-	172,300	(172,300)
Transfer in from City General Fund for debt service	<u>567,300</u>	<u>-</u>	<u>567,300</u>
Change in revenues/expenditures	<u>\$ 651,769</u>	<u>\$ 731,547</u>	<u>(79,778)</u>
Net change in fund balance - GAAP basis			<u>\$ 20,033</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	<u>Water and Sewer</u>	<u>Electric System</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and working funds	\$ 4,660,200	\$ 6,433,770	\$ 11,093,970
Accounts receivable (net)	610,214	2,216,841	2,827,055
Due from other funds	2,000	-	2,000
Other receivables	47,879	38,377	86,256
Inventories	169,169	447,573	616,742
Prepayments	-	20,761	20,761
Current portion of intermediary note receivable	-	185,190	185,190
Total current assets	<u>5,489,462</u>	<u>9,342,512</u>	<u>14,831,974</u>
Noncurrent assets:			
Restricted assets:			
Cash	749,477	-	749,477
Other assets			
Intermediary note receivable	-	1,814,810	1,814,810
Net pension asset	466,037	-	466,037
Other assets	-	281,704	281,704
Total other assets	<u>466,037</u>	<u>2,096,514</u>	<u>2,562,551</u>
Capital assets (net of accumulated depreciation)			
Land	41,628	127,678	169,306
Utility plant in service	17,133,615	16,376,610	33,510,225
Property held for future use	-	100,009	100,009
Construction-in-progress	-	2,038,576	2,038,576
Total capital assets	<u>17,175,243</u>	<u>18,642,873</u>	<u>35,818,116</u>
Total assets	<u>23,880,219</u>	<u>30,081,899</u>	<u>53,962,118</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>55,605</u>	<u>217,890</u>	<u>273,495</u>
LIABILITIES			
Current liabilities:			
Accounts payable	324,648	3,873,124	4,197,772
Accrued payroll	29,573	-	29,573
Compensated absences	27,870	119,830	147,700
Accrued postemployment benefit liability	-	140,827	140,827
Due to other funds	448,614	-	448,614
Sales tax payable	29,187	53,541	82,728
Retainage payable	30,314	-	30,314
Customer deposits	233,031	551,160	784,191
Other current liabilities	-	9,868	9,868
Total current liabilities	<u>1,123,237</u>	<u>4,748,350</u>	<u>5,871,587</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	<u>Water and Sewer</u>	<u>Electric System</u>	<u>Total</u>
Noncurrent liabilities:			
Compensated absences	-	122,613	122,613
Net pension liability	-	484,043	484,043
Debt due within one year	266,040	185,190	451,230
Debt due in more than one year	4,266,167	1,814,810	6,080,977
Other liabilities	-	192,165	192,165
Total noncurrent liabilities	<u>4,532,207</u>	<u>2,798,821</u>	<u>7,331,028</u>
 Total liabilities	 <u>5,655,444</u>	 <u>7,547,171</u>	 <u>13,202,615</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>448,689</u>	<u>16,350</u>	<u>465,039</u>
 NET POSITION			
Net investment in capital assets	12,612,722	18,642,873	31,255,595
Restricted - pension asset	466,037	-	466,037
Restricted - grant funds	697,083	-	697,083
Unrestricted	<u>4,055,849</u>	<u>4,093,395</u>	<u>8,149,244</u>
Total net position	<u>\$ 17,831,691</u>	<u>\$ 22,736,268</u>	<u>\$ 40,567,959</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 FUNDS
For the Year Ended June 30, 2015

	<u>Water and Sewer Fund</u>	<u>Electric System</u>	<u>Total</u>
Operating Revenues			
Water revenue	\$ 2,604,205	\$ -	\$ 2,604,205
Sewer revenue	1,511,103	-	1,511,103
Electric revenue	-	24,526,813	24,526,813
Tap fees	19,890	-	19,890
Forfeited discounts	96,569	74,014	170,583
Connection fees	29,825	-	29,825
Backflow fees	12,510	-	12,510
Rent from electric property	-	404,736	404,736
Miscellaneous income	56,797	-	56,797
Bad debts, net of collections	(22,540)	(3,159)	(25,699)
Total operating revenues	<u>4,308,359</u>	<u>25,002,404</u>	<u>29,310,763</u>
Operating Expenses			
Source of supply - water	966,522	-	966,522
Transmission and distribution	669,487	-	669,487
Accounting and collecting	577,769	-	577,769
Sewer treatment	609,107	-	609,107
Cost of power	-	20,747,866	20,747,866
Operating expenses	-	1,715,276	1,715,276
Maintenance expenses	-	505,482	505,482
Payroll taxes	-	84,358	84,358
Depreciation	1,002,294	1,109,629	2,111,923
Total operating expenses	<u>3,825,179</u>	<u>24,162,611</u>	<u>27,987,790</u>
Operating income	<u>483,180</u>	<u>839,793</u>	<u>1,322,973</u>
Non-Operating Revenues (Expense)			
Interest income	22,643	20,567	43,210
Interest expense	(75,926)	(2,934)	(78,860)
Net non-operating revenues (expense)	<u>(53,283)</u>	<u>17,633</u>	<u>(35,650)</u>
Income before transfers and contributions	429,897	857,426	1,287,323
In-lieu-of-tax transfer	<u>-</u>	<u>(564,426)</u>	<u>(564,426)</u>
Change in net position	<u>429,897</u>	<u>293,000</u>	<u>722,897</u>
Net position - July 1, 2014, as previously reported	17,440,978	22,900,694	40,341,672
Restatement for adoption of new pension standards	(39,184)	(457,426)	(496,610)
Net position - July 1, 2014, as restated	<u>17,401,794</u>	<u>22,443,268</u>	<u>39,845,062</u>
Net position - June 30, 2015	<u>\$ 17,831,691</u>	<u>\$ 22,736,268</u>	<u>\$ 40,567,959</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water and Sewer Fund	Electric System	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 4,275,400	\$ 24,907,318	\$ 29,182,718
Cash payments to suppliers for goods and services	(2,086,524)	(21,744,150)	(23,830,674)
Cash payments to employees for services	(1,083,250)	(1,150,364)	(2,233,614)
Net cash provided by operating activities	<u>1,105,626</u>	<u>2,012,804</u>	<u>3,118,430</u>
Cash flows from non-capital financing activities			
Increase in due to/due from other funds	(46,530)	-	(46,530)
In-lieu-of-tax transfer	-	(564,426)	(564,426)
Net cash used by non-capital financing activities	<u>(46,530)</u>	<u>(564,426)</u>	<u>(610,956)</u>
Cash flows from capital and related financing activities			
Additions to utility plant	(2,525,366)	(2,686,516)	(5,211,882)
Removal cost	-	(74,683)	(74,683)
Payments on principal of long-term debt	(221,512)	-	(221,512)
Interest payments on long-term debt	(77,361)	(2,934)	(80,295)
Net cash used by capital and related financing activities	<u>(2,824,239)</u>	<u>(2,764,133)</u>	<u>(5,588,372)</u>
Cash flows from investing activities			
Restricted retainage released	76,778	-	76,778
Cash transferred to restricted cash and investments	(1,553)	-	(1,553)
Interest earned on investments	22,643	20,567	43,210
Net cash provided by investing activities	<u>97,868</u>	<u>20,567</u>	<u>118,435</u>
Net decrease in cash and cash equivalents	(1,667,275)	(1,295,188)	(2,962,463)
Cash and cash equivalents - July 1, 2014	<u>6,327,475</u>	<u>7,728,958</u>	<u>14,056,433</u>
Cash and cash equivalents - June 30, 2015	<u>\$ 4,660,200</u>	<u>\$ 6,433,770</u>	<u>\$ 11,093,970</u>
Noncash activities:			
Proceeds from debt used for capital assets	\$ 106,969	\$ -	\$ 106,969
Deferred inflows related to pensions	\$ (448,689)	\$ (16,350)	\$ (465,039)
Pension expense (income)	(56,532)	115,597	59,065
Net pension (liability) asset	466,037	(556,673)	(90,636)
Restatement of beginning net position for pension liability	39,184	457,426	496,610
Net effect of noncash pension activity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

Reconciliation of operating income to cash flows from operating activities:

	<u>Water and Sewer Fund</u>	<u>Electric System</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities			
Operating income	\$ 483,180	\$ 839,793	\$ 1,322,973
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,002,294	1,157,985	2,160,279
Bad debts	22,540	3,159	25,699
Pension contributions	(55,605)	(290,520)	(346,125)
Pension expense (income)	(56,532)	115,597	59,065
(Increase) decrease in current assets:			
accounts receivable	(57,127)	(98,245)	(155,372)
other receivables	1,628	-	1,628
inventories	(3,390)	160,743	157,353
prepayments	-	264,020	264,020
other assets	-	35,405	35,405
Increase (decrease) in current liabilities:			
accounts payable	(94,482)	(144,218)	(238,700)
customer deposits	15,863	(16,779)	(916)
sales tax payable	(130)	(2,881)	(3,011)
retainage payable	(158,940)	-	(158,940)
accrued payroll and related liabilities	6,327	(31,793)	(25,466)
accrued postemployment benefits liability	-	27,657	27,657
other current liabilities	-	(7,119)	(7,119)
Total adjustments	<u>622,446</u>	<u>1,173,011</u>	<u>1,795,457</u>
Net cash provided by operating activities	<u>\$ 1,105,626</u>	<u>\$ 2,012,804</u>	<u>\$ 3,118,430</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	<u>Cemetery Private-purpose Trust Fund</u>
ASSETS	
Cash	\$ 206,942
LIABILITIES	<u>-</u>
NET POSITION	
Net position held in trust for cemetery	<u><u>\$ 206,942</u></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, 2015

	<u>Cemetery Private-purpose Trust Fund</u>
Additions	
Sales of cemetery lots	\$ 1,820
Interest earnings	<u>756</u>
Total additions	2,576
Deductions	<u>-</u>
Change in net position	2,576
Net position - July 1, 2014	<u>204,366</u>
Net position - June 30, 2015	<u><u>\$ 206,942</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, 2015

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 City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Union City has no component units.

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. For the most part, the effect of interfund activity has been removed from these 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.

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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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.

The Electric System accounts for the activities of the government's electric distribution operations.

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 divisions 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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 all of the City's enterprise funds 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. The utility funds recognize income based on cycle billings. This results in recognizing as income the energy usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of income from energy sales as a result of cycle billing is a common industry practice. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The cost of purchased power and water is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expense for the period between the final billing and the end of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

D. Impact of recently issued accounting pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 68, effective for fiscal years beginning after June 15, 2014, details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers report liabilities related to pension obligations. The adoption of Statement 68 resulted in a restatement of beginning net position to record the calculated liability to the pension plan as of July 1, 2014. This restatement decreased governmental net position by \$2,466,275 and increased net pension liability by this same amount. Beginning net position in business-type activities decreased by \$496,610 to reflect the increase in net pension liability.

E. 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 also 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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 funds result from unpaid billings for service to customers and from unpaid billings related to work performed for or materials sold to certain entities. The Electric System uses the direct write-off of uncollectible accounts, rather than an estimated allowance for uncollectible accounts. This method, though not recognized by generally accepted accounting principles, does not distort the presentation by a material amount. Bad debt expense recorded for the Electric System for the year ended June 30, 2015, was \$3,159. 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 as of June 30, 2015, is \$2.14. 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. The Electric System's inventories are stated at average cost, not to exceed market. A perpetual inventory system is maintained, with a physical inventory conducted annually.

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 with third parties. Restricted investment accounts for unemployment and future equipment replacement have been set up in the Water and Sewer Fund and in the General Fund. 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. Interest incurred during the construction phase of capital assets of business-type

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

activities is included as part of the capitalized value of the assets constructed. For the current year, there were no interest costs capitalized.

Capital assets of the Electric System are depreciated on a straight-line basis at rates recommended by the Tennessee Valley Authority. These rates purport to depreciate the property over its estimated useful life. Capital assets of the City are also depreciated using the straight line method. 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 will sometimes 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 as of June 30, 2015. See Note 5C for details.

In addition to liabilities, the statements of financial position will sometimes 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 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 unavailable revenue 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 are discussed in Note 5C.

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.

Electric System - All full-time employees accrue vacation leave at rates based on length of employment and are allowed to accumulate unused leave based on years of service, with a maximum accumulation of 240 hours for employees with over 20 years of service. Sick leave is accrued at a rate of eight (8) hours per month on all full-time employees, with a maximum accumulation of 960 hours. Employees are paid 50% of the accumulated sick leave balance and the full amount of the accumulated vacation balance at termination of employment.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 the Governmental Plan of Central Services Association (CSA), 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 and CSA 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.

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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

On-Behalf Payments for Fringe Benefits

The Board receives on-behalf payments from the State of Tennessee to be used for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the GAAP basis government-wide and general purpose school fund financial statements, but are not budgeted.

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

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 \$25,762,172 difference are as follows:

Governmental funds capital assets	\$ 44,398,600
Less: accumulated depreciation	<u>(18,636,428)</u>
Net adjustment	<u><u>\$ 25,762,172</u></u>

Another element of that reconciliation explains that “long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The details of this \$3,001,309 difference are as follows:

Net pension asset	\$ 1,887,097
Deferred outflows related to pensions	1,032,769
Taxes receivable	<u>81,443</u>
Net adjustment	<u><u>\$ 3,001,309</u></u>

The last element of the reconciliation explains that “long-term liabilities are not due in the current period and, therefore, are not reported in the funds.” The details of this \$12,341,039 difference are as follows:

Bonds and notes payable	\$ 7,913,000
Plus issuance premium (to be amortized against interest expense)	<u>68,252</u>
	7,981,252
Net pension liability	229,828
Deferred inflows related to pensions	4,077,626
Compensated absences	<u>52,333</u>
Net adjustment	<u><u>\$ 12,341,039</u></u>

The financial statements 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 depreciation exceeded capital outlay in the current period.”

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

The details of this \$682,644 difference are as follows:

Capital outlay	\$ 431,649
Depreciation expense	<u>(1,114,293)</u>
Net adjustment	<u>\$ (682,644)</u>

The reconciliation also states that while pension contributions are reported as expenditures in governmental funds, pension expense in the statement of activities is primarily the result of changes in the components of the net pension liability/asset over current and future periods. The details of this \$1,078,687 difference are as follows:

Pension contributions	\$ 825,361
Pension income	<u>253,326</u>
Net adjustment	<u>\$ 1,078,687</u>

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 \$1,673 difference are as follows:

Amortization of bond premium	\$ 7,558
Change in compensated absences	6,287
Change in inventory	<u>(12,172)</u>
Net adjustment	<u>\$ 1,673</u>

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. The Electric System does not adopt a legal budget.
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 expenditures, 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. 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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance. 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, 2015, the City had one fund in which expenditures exceeded budgeted amounts. The Solid Waste Fund expenditures were \$7,526 over budget.

There was material noncompliance with the state statute concerning collateralization of bank deposits during the year ended June 30, 2015. During our testing, we found four instances where bank deposits did not have sufficient collateral pledged as required by Tennessee Code Annotated (see Note 4A). No deposits were lost as a result of these violations.

NOTE 4 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Invested Funds

As of June 30, 2015, the City's only investments were certificates of deposit at local banks, which do not meet the definition of investments for the purposes of investment risk disclosures.

Custodial Credit Risk - The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. 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, 2015, all deposits were insured or collateralized.

B. Receivables

Receivables as of June 30, 2015, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School Fund	Electric	Water and Sewer	Nonmajor Funds	Total
Property taxes	\$ 4,899,326	\$ -	\$ -	\$ -	\$ -	\$ 4,899,326
Accounts	-	5,704	2,216,841	799,130	64,356	3,086,031
Sales tax	813,886	251,145	-	-	-	1,065,031
Other	621,737	218,504	38,377	47,879	-	926,497
Total receivables	6,334,949	475,353	2,255,218	847,009	64,356	9,976,885
Less allowance for uncollectibles	(699,217)	-	-	(188,916)	-	(888,133)
Net receivables	<u>\$ 5,635,732</u>	<u>\$ 475,353</u>	<u>\$ 2,255,218</u>	<u>\$ 658,093</u>	<u>\$ 64,356</u>	<u>\$ 9,088,752</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

C. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,657,011	\$ -	\$ -	\$ 3,657,011
Construction in progress	-	30,000	-	30,000
	<u>3,657,011</u>	<u>30,000</u>	<u>-</u>	<u>3,687,011</u>
Capital assets, being depreciated				
Buildings	24,187,532	60,960	-	24,248,492
Parks and recreation	3,578,405	-	-	3,578,405
Vehicles and equipment	7,639,178	340,689	(87,751)	7,892,116
Infrastructure	<u>4,992,576</u>	<u>-</u>	<u>-</u>	<u>4,992,576</u>
Total capital assets being depreciated	<u>40,397,691</u>	<u>401,649</u>	<u>(87,751)</u>	<u>40,711,589</u>
Less accumulated depreciation for:				
Buildings	8,650,418	446,929	-	9,097,347
Parks and recreation	1,935,449	63,868	-	1,999,317
Vehicles and equipment	5,706,579	462,648	(84,418)	6,084,809
Infrastructure	<u>1,314,107</u>	<u>140,848</u>	<u>-</u>	<u>1,454,955</u>
Total accumulated depreciation	<u>17,606,553</u>	<u>1,114,293</u>	<u>(84,418)</u>	<u>18,636,428</u>
Net capital assets being depreciated	<u>22,791,138</u>	<u>(712,644)</u>	<u>(3,333)</u>	<u>22,075,161</u>
Governmental activities, net	<u>\$ 26,448,149</u>	<u>\$ (682,644)</u>	<u>\$ (3,333)</u>	<u>\$ 25,762,172</u>

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

Governmental activities:	
Financial administration	\$ 40,957
Planning and code enforcement	416
Public safety	192,278
Street department	183,500
Recreation	99,036
Public works	90,190
Education	<u>507,916</u>
Total depreciation expense - governmental activities	<u>\$ 1,114,293</u>

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2015

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 169,306	\$ -	\$ -	\$ 169,306
Construction in progress	1,210,010	828,566	-	2,038,576
Property held for future use	100,009	-	-	100,009
Total not being depreciated	<u>1,479,325</u>	<u>828,566</u>	<u>-</u>	<u>2,307,891</u>
Capital assets, being depreciated				
Production plant	7,829,464	254,656	-	8,084,120
Distribution plant	12,575,298	2,306,369	(3,623)	14,878,044
Sewer plant	17,248,904	7,466	-	17,256,370
Other capital assets	1,277,141	63,844	-	1,340,985
Transmission plant	3,017,827	12,206	(10,322)	3,019,711
Electric distribution plant	22,269,064	1,927,518	(377,327)	23,819,255
General plant	<u>3,270,726</u>	<u>54,353</u>	<u>(15,007)</u>	<u>3,310,072</u>
Total being depreciated	<u>67,488,424</u>	<u>4,626,412</u>	<u>(406,279)</u>	<u>71,708,557</u>
Less accumulated depreciation for:				
Production plant	4,464,594	242,743	-	4,707,337
Distribution plant	6,874,121	333,715	(3,623)	7,204,213
Sewer plant	11,163,689	390,248	-	11,553,937
Other capital assets	924,829	35,588	-	960,417
Transmission plant	1,946,065	102,801	(13,472)	2,035,394
Electric distribution plant	8,737,140	902,011	(284,007)	9,355,144
General plant	<u>2,243,653</u>	<u>153,173</u>	<u>(14,936)</u>	<u>2,381,890</u>
Total accumulated depreciation	<u>36,354,091</u>	<u>2,160,279</u>	<u>(316,038)</u>	<u>38,198,332</u>
Net capital assets, being depreciated	<u>31,134,333</u>	<u>2,466,133</u>	<u>(90,241)</u>	<u>33,510,225</u>
Business-type activities net	<u>\$ 32,613,658</u>	<u>\$ 3,294,699</u>	<u>\$ (90,241)</u>	<u>\$ 35,818,116</u>

D. Long-Term Debt

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%. The portion attributed to governmental activities was \$3,790,000 and the Water and Sewer portion was \$1,960,000. Outstanding balances at June 30, 2015, were \$3,640,000 and \$1,690,000 respectively.

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

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2015

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, 2015, was \$4,235,000.

Street Sweeper Capital Outlay Note, Series 2011 – On March 9, 2011, the City executed a capital outlay note for \$176,389 through the Tennessee Municipal Bond Fund Alternative Loan Program. The note is payable in annual principal payments on March 1 of each year and interest payable semiannually on March 1 and September 1 of each year, beginning September 1, 2011, and maturing March 1, 2016. Interest is fixed at 3.8%. The note is backed by the full faith and credit of the City. The balance outstanding at June 30, 2015, was \$38,000.

State Revolving Fund (SRF) Loan – This loan was obtained to finance renovations at the wastewater treatment plant during the current year. The balance outstanding at June 30, 2014, was \$2,805,587. Additional draws of \$106,969 were made during the current year, for a final note balance of \$2,912,556. The City made interest-only payments until finalized, with monthly payments of principal and interest beginning November 10, 2014, in the amount of \$13,617. The balance outstanding as of June 30, 2015, was \$2,826,044.

Intermediary Loan Program – On September 2, 2014, the Electric System received a Rural Economic Development Loan from USDA Rural Development in the amount of \$2,000,000 as a pass-through loan to Greenfield Products LLC. The loan requires monthly payments of \$18,519 at zero percent interest beginning in September 2015 through August 2024. A loan receivable from Greenfield Products was recorded with the same terms.

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

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 593,000	\$ 280,084	\$ 451,230	\$ 72,912
2017	620,000	262,478	489,804	68,676
2018	635,000	243,778	491,364	64,416
2019	650,000	225,423	497,948	60,132
2020	665,000	202,923	499,544	55,736
2021-2025	3,200,000	639,304	2,277,102	207,733
2026-2030	1,550,000	183,050	1,119,020	85,119
2031-2035	-	-	690,032	17,995
Total	<u>\$ 7,913,000</u>	<u>\$ 2,037,040</u>	<u>\$ 6,516,044</u>	<u>\$ 632,719</u>

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable, Series 2005	\$ 111,000	\$ -	\$ 111,000	\$ -	\$ -
Refunding bonds - Series 2009	4,630,000	-	395,000	4,235,000	405,000
General oblig. bonds, Series 2013	3,765,000	-	125,000	3,640,000	150,000
Capital outlay note, Series 2011	75,000	-	37,000	38,000	38,000
Bond premium	75,810	-	7,558	68,252	n/a
Compensated absences	58,620	-	6,287	52,333	n/a
Totals	<u>\$ 8,715,430</u>	<u>\$ -</u>	<u>\$ 681,845</u>	<u>\$ 8,033,585</u>	<u>\$ 593,000</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
General oblig. bonds, Series 2013	\$ 1,825,000	\$ -	\$ 135,000	\$ 1,690,000	\$ 135,000
Intermediary loan	-	2,000,000	-	2,000,000	185,190
SRF loan	2,805,587	106,969	86,512	2,826,044	131,040
Bond premium	17,598	-	1,435	16,163	n/a
Compensated absences	229,906	12,537	-	242,443	119,830
Totals	<u>\$ 4,878,091</u>	<u>\$ 2,119,506</u>	<u>\$ 222,947</u>	<u>\$ 6,774,650</u>	<u>\$ 571,060</u>

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

E. Interfund receivables, payables, and transfers

Interfund balances as of June 30, 2015, were as follows:

Receivable Fund	Payable Fund	Amount
Internal balances between governmental and business-type activities:		
Solid Waste (nonmajor)	Water and Sewer (major)	\$ 320,400
Water and Sewer (major)	General (major)	(2,000)
General (major)	Water and Sewer (major)	128,214
		<u>\$ 446,614</u>
Internal balances between governmental funds:		
State Street Aid (nonmajor)	General (major)	<u>\$ 31,973</u>

Interfund transfers during the year ended June 30, 2015, are summarized as follows:

Transfers Out	Transfers In (major funds)		Total
	General	GP School	
General (major)	\$ -	\$ 1,212,500	\$ 1,212,500
General (major) - debt service	-	567,300	567,300
Governmental transfers	-	1,779,800	1,779,800
Electric System (major)	564,426	-	564,426
Total interfund transfers	<u>\$ 564,426</u>	<u>\$ 1,779,800</u>	<u>\$ 2,344,226</u>

Interfund balances involving the Water and Sewer Fund involve payments in transit for yearend accounts payable and trash collection and were paid during the next fiscal year. The balance due from General Fund to State Street Aid was also related to accounts payable and repaid during the next fiscal year.

The interfund transfer between the General Fund and General Purpose School Fund is an annual, recurring, budgeted transfer. The transfer from the Electric System to the General Fund is an in-lieu-of-tax payment. Debt service payments on school bonds made by the City each year are also recorded as a transfer.

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2015

F. Fund Balances and Net Position

The City has categorized spendable fund balances as follows:

	General Fund	Gen. Purpose School Fund	Nonmajor Funds
Restricted:			
Education	\$ -	\$ 2,690,866	\$ 382,504
Hotel/Motel Tax	-	-	3,472
State Street Aid	-	-	94,152
Solid Waste revenues	-	-	881,306
Carey Counseling Project	-	-	4,548
Drug Fund	-	-	117,546
Total restricted	<u>\$ -</u>	<u>\$ 2,690,866</u>	<u>\$ 1,483,528</u>
Committed:			
Rural Fire	\$ 43,768	\$ -	\$ -
Unemployment	84,978	-	-
City Beautiful	5,487	-	-
Drug Deterrence	4,739	-	-
Police Education	11,949	-	-
Speed and Red Light Enforcement	-	-	308,576
Total committed	<u>\$ 150,921</u>	<u>\$ -</u>	<u>\$ 308,576</u>

The General Fund has also assigned fund balance of \$1,485,570 to fund the 2015-2016 budget. In addition to the above items, the statement of net position has restricted an additional \$21,762 for school food service inventory and \$1,887,097 for net pension assets.

G. Operating Lease Agreements

The Electric System rents attachment space on joint use poles to and from the telephone company and cable television company. These are annually renewed operating leases. Rent expense for the year ended June 30, 2015, was \$25,871.

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.

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2015

The Union City Electric System purchases commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and public officials and employee liability. The general liability insurance is purchased through Distributors Insurance Companies (DIC), which is a captive insurance company domiciled in Tennessee for electric utility systems. Although formed exclusively for electric distributors, it does not constitute a risk pool, as all risk is transferred from the System to DIC. DIC reinsures through commercial insurance companies for claims in excess of a stated amount for each insured event. Settled claims from 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, 2015. A lawsuit brought against the City by Obion County/Obion County Schools for a portion of liquor tax revenue received by the City has not resulted in a final determination as of the date of this report, and the City intends to vigorously oppose the payment of any past or future tax revenues included in the complaint.

C. Retirement Plans

City of Union City

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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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 years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2014, the following employees were covered by the benefit terms:

	<u>City</u>	<u>BOE</u>
Inactive employees or beneficiaries currently receiving benefits	66	50
Inactive employees entitled to but not yet receiving benefits	77	42
Active employees	<u>108</u>	<u>66</u>
	<u>251</u>	<u>158</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. 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, 2015, employer contributions for City of Union City were \$280,159 based on a rate of 5.56 percent of covered payroll and employer contributions for Union City Board of Education were \$113,671 based on a rate of 8.68 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 (Asset)

City of Union City's and Union City Board of Education's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2015

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, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 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 City of Union City and Union City Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Changes in the Net Pension Liability (Asset)

City of Union City

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) – (b)
Balance at 6/30/13	\$ 24,097,408	\$ 23,369,393	\$ 728,015
Changes for the year:			
Service cost	435,028	-	435,028
Interest	1,792,275	-	1,792,275
Differences between expected and actual experience	(671,601)	-	(671,601)
Contributions-employer	-	532,097	(532,097)
Contributions-employees	-	247,696	(247,696)
Net investment income	-	3,838,804	(3,838,804)
Benefit payments, including refunds of employee contributions	(1,270,878)	(1,270,878)	-
Administrative expense	-	(5,593)	5,593
Net changes	<u>284,824</u>	<u>3,342,126</u>	<u>(3,057,302)</u>
Balance at 6/30/14	<u>\$ 24,382,232</u>	<u>\$ 26,711,519</u>	<u>\$ (2,329,287)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of City of Union City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City of Union City's net pension liability (asset)	<u>\$ 602,433</u>	<u>\$ (2,329,287)</u>	<u>\$ 4,800,024)</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Union City Board of Education

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) – (b)
Balance at 6/30/13	\$ 4,448,263	\$ 3,980,826	\$ 467,437
Changes for the year:			
Service cost	102,261	-	102,261
Interest	333,366	-	333,366
Differences between expected and actual experience	138,805	-	138,805
Contributions-employer		100,408	(100,408)
Contributions-employees	-	58,581	(58,581)
Net investment income	-	655,451	(655,451)
Benefit payments, including refunds of employee contributions	(211,294)	(211,294)	-
Administrative expense	-	(2,399)	2,399
Net changes	<u>363,138</u>	<u>600,747</u>	<u>(237,609)</u>
Balance at 6/30/14	<u>\$ 4,811,401</u>	<u>\$ 4,581,573</u>	<u>\$ 229,828</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Union City Board of Education calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Union City Board of Education's net pension liability (asset)	<u>\$ 824,094</u>	<u>\$ 229,828</u>	<u>\$ (269,348)</u>

CITY OF UNION CITY, TENNESSEE
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For the Year Ended June 30, 2015

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

Pension expense. For the year ended June 30, 2015, City of Union City recognized pension income of \$281,758 and Union City Board of Education recognized pension expense of \$38,907.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, City of Union City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 559,667
Net difference between projected and actual earnings on pension plan investments	-	1,683,780
Contributions subsequent to the measurement date of June 30, 2014	<u>280,159</u>	<u>(not applicable)</u>
Total	<u>\$ 280,159</u>	<u>\$ 2,243,447</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014" 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 as follows:

Year Ending June 30:	
2016	\$(532,879)
2017	(532,879)
2018	(532,879)
2019	(532,879)
2020	(111,934)

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

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For the Year Ended June 30, 2015

For the year ended June 30, 2015, Union City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 111,044	\$ -
Net difference between projected and actual earnings on pension plan investments	-	287,152
Contributions subsequent to the measurement date of June 30, 2014	113,671	<i>(not applicable)</i>
Total	<u>\$ 224,715</u>	<u>\$ 287,152</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014” 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 as follows:

Year Ending June 30:	
2016	\$(44,027)
2017	(44,027)
2018	(44,027)
2019	(44,027)

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 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 providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit

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or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to 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.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the 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, 2015, to the Teacher Legacy Pension Plan were \$512,579 which is 9.04 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 (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset. At June 30, 2014, the Union City Schools reported an asset of \$23,667 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Union City Schools' proportion of the net pension liability was based on Union City Schools' employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, Union City Schools' proportion was 0.145645 percent. The proportion measured as of June 30, 2013, was 0.148887 percent.

Pension income. For the year ended June 30, 2015, Union City Schools recognized pension income of \$27,920.

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Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Union City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,457	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,949,981
Changes in proportion of net pension liability (asset)	-	45,735
LEA's contributions subsequent to the measurement date of June 30, 2014	512,579	(not applicable)
Total	<u>\$ 570,036</u>	<u>\$ 1,995,716</u>

Union City Schools employer contributions of \$512,579, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$(485,542)
2017	(485,542)
2018	(485,542)
2019	(485,542)
2020	1,954
Thereafter	1,954

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

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

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The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEA's will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Union City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Union City Schools' proportionate share of the net pension liability (asset)	\$ 3,991,648	\$ (23,667)	\$ (3,347,912)

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 is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90, in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. 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

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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. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$14,400, which is 4 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 (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is not a net pension liability to report for this plan at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, Union City Schools did not recognize a pension expense for this plan at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Union City Schools reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Union City Schools' contributions subsequent to the measurement date of June 30, 2014	\$ 14,400	\$ (not applicable)

Union City Schools' employer contributions of \$14,400 reported as pension-related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Union City Electric System

Plan description. Employees of Union City Electric System are provided a defined benefit pension plan through the Governmental Plan of Central Service Association (CSA), an agent multiple-employer pension plan administered by CSA. The board of directors of CSA appoints an Insurance and Retirement Committee which oversees the Plan and makes recommendations for changes to the Plan for Board acceptance. Each individual employer may make recommendations for amendments to their own Plan provisions. CSA issues a publicly available financial report that includes financial statements and required supplementary information for the Pension Plan. That report may be obtained by writing to Central Service Association, P.O. Box 3480, Tupelo, Mississippi 38803-3480.

Benefits provided. The Plan provides retirement, disability and death benefits to plan members and beneficiaries. Each employee is eligible to participate in the Plan after completing six months of service. The normal retirement benefit is 57% of average monthly earnings, based on the highest consecutive three years' earnings, at age 65 with ten years participation. Employees are fully vested in the Plan after seven years of service.

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For the Year Ended June 30, 2015

Employees covered by benefit terms. Employee membership data related to the Plan as of October 1, 2014, the most recent actuarial valuation, was as follows:

Retired	1
Terminated, vested	1
Active employees	<u>20</u>
	<u>22</u>

Contributions. The Union City Electric System contributes amounts sufficient to meet the actuarially determined funding requirements of the Plan in order to provide for anticipated benefits. The contributions are made in amounts sufficient to fund the Plan's current service cost on a current basis and to fund the initial past service cost plus interest thereon over a period not greater than thirty years. CSA's consulting actuary, MassMutual, determines both a minimum contribution using the actuarial value of assets and a recommended contribution using the market value of assets. Based on the actuarial evaluation as of October 1, 2014, the minimum contribution changed from 16.44% of annual covered payroll to 13.59%, or \$13,490 per month. However, the Board approved a monthly contribution of \$24,210 beginning in October 2013 that would pay down the unfunded liability quicker than the existing funding period of 10 years. The System's contributions to the plan for the year ending June 30, 2015, were \$290,520.

Net Pension Liability

Union City Electric System's net pension liability was measured as of October 1, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of the October 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary scale	3.0 percent
Assumed retirement age	Age 65 with 10 years of service
Mortality	RP-2000 Fully Generational with Scale AA
Cost-of-living adjustment	N/A

Discount rate. The discount rate used to measure the total pension liability was 7.0 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 Union City Electric System will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the Plan's current funding policy on an annual basis. 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 employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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For the Year Ended June 30, 2015

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 10/1/13	\$ 2,987,916	\$ 2,312,600	\$ 675,316
Changes for the year:			
Service cost	75,278	-	75,278
Interest cost	214,243	-	214,243
Differences between expected and actual experience	(12,470)	-	(12,470)
Contributions-employer	-	290,520	(290,520)
Contributions-employees	-	-	-
Net investment income	-	178,012	(178,012)
Benefit payments	(5,159)	(5,159)	-
Administrative expense	-	(208)	208
Net changes	271,892	463,165	(191,273)
Balance at 10/1/14	<u>\$ 3,259,808</u>	<u>\$ 2,775,765</u>	<u>\$ 484,043</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of Union City Electric System calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Union City Electric System's net pension liability	<u>\$ 1,033,646</u>	<u>\$ 484,043</u>	<u>\$ 13,822</u>

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

Under GASB 68, the annual pension expense is intended to recognize certain changes in the Net Pension Liability compared to the previous measurement date. Changes not recorded as a pension expense will be recorded and tracked separately as deferred inflows and outflows to be recognized in a future period's pension expense. Changes in the Total Pension Liability due to differences between actual experience and assumptions are recognized over a closed period equal to the future remaining service of plan participants. Differences between actual and expected investment performance are recognized over a five-year period. Any changes due to plan amendment or other benefit changes will be recognized in the year of adoption.

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For the Year Ended June 30, 2015

Pension expense. For the year ended June 30, 2015, Union City Electric System recognized pension expense of \$115,597 determined as follows:

Service cost	\$ 75,278
Interest on the total pension liability	214,243
Differences between expected and actual experience	(1,039)
Change in assumptions	-
Employee contributions	-
Projected earnings on pension plan investments	(171,863)
Differences between projected and actual earnings on plan investments	(1,230)
Pension plan administrative expense	208
Other changes in fiduciary net pension	-
Total pension expense	<u>\$ 115,597</u>

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Union City Electric System reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,431
Net difference between projected and actual earnings on pension plan investments	-	4,919
Contributions subsequent to the measurement date of October 1, 2014	<u>217,890</u>	<u>(not applicable)</u>
Total	<u>\$ 217,890</u>	<u>\$ 16,350</u>

The amount shown above for "Contributions subsequent to the measurement date of October 1, 2014" will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ending June 30:	
2016	\$(2,269)
2017	(2,269)
2018	(2,269)
2019	(2,269)
2020	(1,039)
Thereafter	(6,235)

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

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D. Other Post-Employment Benefits

Plan Description – Union City Electric System’s post-retirement medical plan is a single-employer defined benefit post-employment benefit plan administered by CBIZ Benefits & Insurance Services, Inc. An eligible employee may retire and retain their health insurance coverage and the System will contribute 100% of the cost of the individual coverage. A retiree may carry dependent coverage and would be required to pay 85% of the full dependent coverage premium. To be eligible for this benefit upon retirement, the employee must be at least 60 years of age and have completed fifteen (15) years of continuous service. At age 65, the System ceases to pay any of the insurance premiums for the retiree and dependents.

Funding Policy – The System is currently pre-funding future obligations through an account designated as the GASB 45 Trust Account included in its cash and cash equivalents on the balance sheet.

Annual OPEB Cost and Net OPEB Obligation – The System’s annual other postretirement benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the System’s annual OPEB cost for the year (including an adjustment to more closely reflect the actual plan provided), the amount actually contributed to the plan, and changes in the System’s net OPEB obligation.

Annual required contribution	\$ 26,917
Interest on net OPEB obligation	8,488
Adjustment to annual required contribution	(7,748)
Annual OPEB cost (expense)	<u>27,657</u>
Contributions made	-
Increase in net obligation	<u>27,657</u>
Net OPEB obligation – beginning of year	113,170
Net OPEB obligation – end of year	<u>\$ 140,827</u>

The System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$27,657	0.0%	\$140,827
6/30/14	\$21,658	0.0%	\$113,170
6/30/13	\$21,869	0.0%	\$91,512

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$254,224 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$254,224. The covered payroll (annual payroll of active employees covered by the plan) was \$1,204,251 and the ratio of UAAL to the covered payroll was 21.11%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include

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assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2014, was 30 years.

E. On-Behalf Payments for Postretirement Insurance Benefits

The City recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and the Medicare Plan on behalf of the Board of Education's employees. For the year ended June 30, 2015, the State made contributions of \$59,194 to the Teacher Group Plan and \$25,275 to the Medicare Plan.

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REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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
Fiscal Year Ending June 30,

	<u>2014</u>
Total pension liability	
Service cost	\$ 435,028
Interest	1,792,275
Changes in benefit terms	-
Differences between actual and expected experience	(671,601)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,270,878)</u>
Net change in total pension liability	284,824
Total pension liability - beginning	<u>24,097,408</u>
Total pension liability - ending (a)	<u>24,382,232</u>
 Plan fiduciary net position	
Contributions - employer	532,097
Contributions - employee	247,696
Net investment income	3,838,804
Benefit payments, including refunds of employee contributions	(1,270,878)
Administrative expense	<u>(5,593)</u>
Net change in plan fiduciary net position	3,342,126
Plan fiduciary net position-beginning	<u>23,369,393</u>
Plan fiduciary net position-ending (b)	<u>26,711,519</u>
 Net pension liability (asset) - ending (a – b)	 <u><u>\$ (2,329,287)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	 109.55%
 Covered-employee payroll	 \$ 4,935,968
 Net pension liability (asset) as a percentage of covered-employee payroll	 47.19%

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

See independent auditor's report

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

	2014	2015
Actuarially determined contributions	\$ 532,097	\$ 280,159
Contributions in relation to the actuarially determined contribution	532,097	280,159
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 4,935,968	 \$ 5,010,481
Contributions as a percentage of covered employee payroll	10.78%	5.59%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	14 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

**Schedule of Changes in Union City Board of Education's
Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS**
Fiscal Year Ending June 30,

	<u>2014</u>
Total pension liability	
Service cost	\$ 102,261
Interest	333,366
Changes in benefit terms	-
Differences between actual and expected experience	138,805
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(211,294)</u>
Net change in total pension liability	363,138
Total pension liability - beginning	<u>4,448,263</u>
Total pension liability - ending (a)	<u>4,811,401</u>
 Plan fiduciary net position	
Contributions - employer	100,408
Contributions - employee	58,581
Net investment income	655,451
Benefit payments, including refunds of employee contributions	(211,294)
Administrative expense	<u>(2,399)</u>
Net change in plan fiduciary net position	600,747
Plan fiduciary net position-beginning	<u>3,980,826</u>
Plan fiduciary net position-ending (b)	<u>4,581,573</u>
 Net pension liability (asset) - ending (a – b)	 <u>\$ 229,828</u>
 Plan fiduciary net position as a percentage of total pension liability	 95.22%
 Covered-employee payroll	 \$ 1,171,614
 Net pension liability (asset) as a percentage of covered-employee payroll	 19.62%

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

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

**Schedule of Changes in Union City Board of Education's
Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**
Fiscal Years Ending June 30,

	2014	2015
Actuarially determined contributions	\$ 100,408	\$ 113,671
Contributions in relation to the actuarially determined contribution	100,408	113,671
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 1,171,614	 \$ 1,309,570
Contributions as a percentage of covered employee payroll	8.57%	8.68%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	14 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Schedule of Union City Schools' Proportionate Share of the Net Pension Asset
Teacher Legacy Pension Plan of TCRS
Fiscal Years Ending June 30,

	<u>2014</u>
Union City Schools' proportion of the collective net pension asset	0.145645%
Union City Schools' proportionate share of the net pension asset	\$ 23,667
Union City Schools' covered employee payroll	\$ 5,716,551
Union City Schools' proportionate share of the net pension asset as a percentage of its covered employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

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

Schedule of Union City Schools' Contributions
Teacher Legacy Pension Plan of TCRS
Fiscal Year Ending June 30,

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 507,630	\$ 512,579
Contribution in relation to the actuarially determined contribution	<u>507,630</u>	<u>512,579</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Union City Schools' covered-employee payroll	\$ 5,716,551	\$ 5,670,125
Contributions as a percentage of Union City Schools' covered-employee payroll	8.88%	9.04%

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

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Schedule of Union City Schools' Contributions
Teacher Retirement Plan of TCRS
Fiscal Year Ending June 30,

	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 9,000
Contribution in relation to the actuarially determined contribution	<u>14,400</u>
Contribution deficiency (excess)	<u><u>\$ (5,400)</u></u>
 Union City Schools' covered-employee payroll	 \$ 360,011
Contributions as a percentage of Union City Schools' covered-employee payroll	 4.00%

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

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

**Schedule of Changes in Union City Electric System's
Net Pension Liability and Related Ratios Based on
Participation in the Governmental Plan of CSA**
Plan Year Ending October 1,

	2014
Total pension liability	
Balance at 10/1/13	\$ 2,987,916
Service cost	75,278
Interest cost	214,243
Differences between expected and actual experience	(12,470)
Change in assumptions	-
Benefit payments	(5,159)
Net changes	271,892
Balance at 10/1/14 (a)	3,259,808
Plan fiduciary net position	
Balance at 10/1/13	2,312,600
Contributions-employer	290,520
Contributions-employees	-
Net investment income	178,012
Benefit payments	(5,159)
Administrative expense	(208)
Net changes	463,165
Balance at 10/1/14 (b)	2,775,765
Net pension liability – ending (a-b)	\$ 484,043
Plan fiduciary net position as a percentage of total pension liability	85.15%
Covered-employee payroll	\$1,190,949
Net pension liability as a percentage of covered-employee payroll	40.64%

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

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

**Schedule of Changes in Union City Electric System's
Contributions Based on Participation in the
Governmental Plan of CSA**
Fiscal Years Ending June 30,

	2014	2015
Actuarially determined contributions	\$ 191,548	\$ 186,600
Contributions in relation to the actuarially determined contribution	268,152	290,520
Contribution deficiency (excess)	<u>\$ (76,604)</u>	<u>\$ (103,920)</u>
 Covered employee payroll	 \$ 1,156,952	 \$ 1,146,228
Contributions as a percentage of covered employee payroll	23.18%	25.35%

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2015, were calculated based on the October 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation	5-year smoothed within 90% to 110% of market value
Investment Rate of Return	7.0 percent
Salary scale	3.0 percent
Assumed retirement age	Age 65 with 10 years of service
Mortality	RP-2000 Fully Generational with Scale AA
Cost-of-living adjustment	N/A

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Union City Electric System
Schedule of Funding Progress – Post-Retirement Medical Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/14	\$0	\$254,224	\$254,224	0%	\$1,204,251	21.11%
7/1/11	\$0	\$194,374	\$194,374	0%	\$1,138,740	17.07%
7/1/08	\$0	\$477,753	\$477,753	0%	\$1,111,992	42.96%

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. During the year ended June 30, 2013, the System began pre-funding its liability by designating a portion of its cash and cash equivalents as a trust fund for future obligations. As a result of this pre-funding, the actuarial accrued liability as of July 1, 2011 was recalculated and reduced to the amount shown in the above table.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

CITY OF UNION CITY, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds									
	Hotel/ Motel Tax	State Street Aid	Drug Enforce- ment	Greenfield Products Capital	Speed and Red Light Enforcement	School Federal Projects	School Centralized Cafeteria	Solid Waste	Carey Counseling Project	Combined Totals
ASSETS										
Cash and working funds	\$ 3,473	\$ 39,379	\$ 124,472	\$ 1,279	\$ 309,295	\$ 54,858	\$ 282,982	\$ 662,653	\$ 4,548	\$ 1,482,939
Accounts receivable	11,645	52,711	-	-	-	-	-	-	-	64,356
Due from grantors	-	-	-	17,243	-	46,136	-	-	-	63,379
Due from other funds	-	33,677	-	-	-	-	-	320,400	-	354,077
Inventory	-	-	-	-	-	-	21,762	-	-	21,762
Total assets	\$15,118	\$125,767	\$124,472	\$ 18,522	\$ 309,295	\$100,994	\$ 304,744	\$983,053	\$ 4,548	\$ 1,986,513
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 11,646	\$ 29,911	\$ 6,926	\$ 19,973	\$ 719	\$ -	\$ -	\$ 101,747	\$ -	\$ 170,922
Withholdings payable	-	-	-	-	-	994	478	-	-	1,472
Due to other funds	-	1,704	-	-	-	-	-	-	-	1,704
Total liabilities	11,646	31,615	6,926	19,973	719	994	478	101,747	-	174,098
Fund Balances										
Nonspendable - inventory	-	-	-	-	-	-	21,762	-	-	21,762
Restricted	3,472	94,152	117,546	-	-	100,000	282,504	881,306	4,548	1,483,528
Committed	-	-	-	-	308,576	-	-	-	-	308,576
Unassigned	-	-	-	(1,451)	-	-	-	-	-	(1,451)
Total fund balances	3,472	94,152	117,546	(1,451)	308,576	100,000	304,266	881,306	4,548	1,812,415
Total liabilities and fund balances	\$15,118	\$125,767	\$124,472	\$ 18,522	\$ 309,295	\$100,994	\$ 304,744	\$983,053	\$ 4,548	\$ 1,986,513

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds										Combined Totals
	Hotel/ Motel Tax	State Street Aid	Main St. Façade Grant	Drug Enforce- ment	Greenfield Products Capital	Speed and Red Light Enforcement	School Federal Projects	School Centralized Cafeteria	Solid Waste	Carey Counseling Project	
Revenues											
Local taxes	\$143,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,094
Intergovernmental revenue	-	287,648	-	-	415,844	-	1,092,023	666,372	-	-	2,461,887
Fines, forfeitures and penalties	-	-	-	6,546	-	222,564	-	-	-	-	229,110
Sales	-	-	-	131,506	-	-	-	-	-	-	131,506
Charges for services	-	-	-	-	-	-	-	-	1,886,984	-	1,886,984
Contributions	-	-	30,568	-	15,450	-	-	-	-	3,295	49,313
Interest	9	-	2	-	6	-	-	1,351	-	-	1,368
Local food service revenue	-	-	-	-	-	-	-	164,128	-	-	164,128
Commodities received	-	-	-	-	-	-	-	42,359	-	-	42,359
Total revenues	<u>143,103</u>	<u>287,648</u>	<u>30,570</u>	<u>138,052</u>	<u>431,300</u>	<u>222,564</u>	<u>1,092,023</u>	<u>874,210</u>	<u>1,886,984</u>	<u>3,295</u>	<u>5,109,749</u>
Expenditures											
Financial administration	7,157	-	-	-	-	-	-	-	-	-	7,157
Education	-	-	-	-	-	-	1,092,023	-	-	-	1,092,023
School food service	-	-	-	-	-	-	-	906,088	-	-	906,088
Crime control and investigation	-	-	-	99,971	-	-	-	-	-	-	99,971
Roads and streets	-	279,878	-	-	-	95,462	-	-	-	-	375,340
Community development	135,942	-	30,570	-	432,751	-	-	-	-	80,008	679,271
Sanitation	-	-	-	-	-	-	-	-	1,497,484	-	1,497,484
Total expenditures	<u>143,099</u>	<u>279,878</u>	<u>30,570</u>	<u>99,971</u>	<u>432,751</u>	<u>95,462</u>	<u>1,092,023</u>	<u>906,088</u>	<u>1,497,484</u>	<u>80,008</u>	<u>4,657,334</u>
Net change in fund balances	4	7,770	-	38,081	(1,451)	127,102	-	(31,878)	389,500	(76,713)	452,415
Fund balances - July 1, 2014	3,468	86,382	-	79,465	-	181,474	100,000	348,316	491,806	81,261	1,372,172
Change in inventory - purchases method	-	-	-	-	-	-	-	(12,172)	-	-	(12,172)
Fund balances - June 30, 2015	<u>\$ 3,472</u>	<u>\$ 94,152</u>	<u>\$ -</u>	<u>\$ 117,546</u>	<u>\$ (1,451)</u>	<u>\$ 308,576</u>	<u>\$ 100,000</u>	<u>\$ 304,266</u>	<u>\$ 881,306</u>	<u>\$ 4,548</u>	<u>\$ 1,812,415</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
HOTEL/MOTEL TAX FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Hotel/Motel tax	\$ 140,000	\$ 140,000	\$ 143,094
Interest	5	5	9
Total revenues	<u>140,005</u>	<u>140,005</u>	<u>143,103</u>
Expenditures			
Administrative fees	7,735	7,735	7,157
Grants and donations	<u>146,966</u>	<u>146,966</u>	<u>135,942</u>
Total expenditures	<u>154,701</u>	<u>154,701</u>	<u>143,099</u>
Revenues over (under) expenditures	(14,696)	(14,696)	4
Fund balance - July 1, 2014	<u>3,468</u>	<u>3,468</u>	<u>3,468</u>
Fund balance - June 30, 2015	<u>\$ (11,228)</u>	<u>\$ (11,228)</u>	<u>\$ 3,472</u>
			<u>\$ 14,700</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
STATE STREET AID FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State gasoline and motor fuel tax	\$ 291,441	\$ 291,441	\$ 197,213	\$ (94,228)
Gas 1989	-	-	31,665	31,665
Gas 3 cent	-	-	58,770	58,770
Total revenues	291,441	291,441	287,648	(3,793)
Expenditures				
Road and street improvements - paving	291,441	291,441	238,337	(53,104)
Miscellaneous	-	-	32	32
Machinery and equipment	-	-	41,509	41,509
Total expenditures	291,441	291,441	279,878	(11,563)
Revenues over expenditures	-	-	7,770	7,770
Fund balance - July 1, 2014	86,382	86,382	86,382	-
Fund balance - June 30, 2015	<u>\$ 86,382</u>	<u>\$ 86,382</u>	<u>\$ 94,152</u>	<u>\$ 7,770</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MAIN STREET FAÇADE GRANT FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Revenues				
Local revenue	\$ 6,250	\$ 6,250	\$ 5,568	\$ (682)
Contribution from Main Street Union City, Inc.	25,000	25,000	25,000	-
Interest income	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	31,250	31,250	30,570	(680)
Expenditures				
Building improvements	<u>31,250</u>	<u>31,250</u>	<u>30,570</u>	<u>(680)</u>
Revenues over expenditures	-	-	-	-
Fund balance - July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, forfeitures and penalties	\$ 4,000	\$ 4,000	\$ 6,546	\$ 2,546
Confiscated items	40,000	40,000	110,047	70,047
Sale of equipment	1,000	1,000	21,459	20,459
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>138,052</u>	<u>93,052</u>
Expenditures				
Crime control and investigation supplies	15,000	15,000	9,093	(5,907)
Transportation equipment	90,000	90,000	90,878	878
Total expenditures	<u>105,000</u>	<u>105,000</u>	<u>99,971</u>	<u>(5,029)</u>
Revenues over (under) expenditures	(60,000)	(60,000)	38,081	98,081
Fund balance - July 1, 2014	<u>79,465</u>	<u>79,465</u>	<u>79,465</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ 19,465</u>	<u>\$ 19,465</u>	<u>\$ 117,546</u>	<u>\$ 98,081</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GREENFIELD PRODUCTS CAPITAL PROJECTS FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State grants	\$ 416,891	\$ 416,891	\$415,844	\$ (1,047)
Local revenues	97,789	97,789	15,450	(82,339)
Interest	-	-	6	6
Total revenues	514,680	514,680	431,300	(83,380)
Expenditures				
Capital improvements	514,680	514,680	432,751	(81,929)
Revenues over (under) expenditures	-	-	(1,451)	(1,451)
Fund balance - July 1, 2014	-	-	-	-
Fund balance - June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,451)</u>	<u>\$ (1,451)</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SPEED AND RED LIGHT ENFORCEMENT FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Traffic camera revenue	\$ 240,000	\$ 240,000	\$ 222,564	\$ (17,436)
Expenditures				
Repair and maintenance	233,000	233,000	90,012	(142,988)
Gas, oil and operating supplies	7,000	7,000	5,450	(1,550)
Total expenditures	240,000	240,000	95,462	(144,538)
Revenues over expenditures	-	-	127,102	127,102
Fund balance - July 1, 2014	181,474	181,474	181,474	-
Fund balance - June 30, 2015	<u>\$ 181,474</u>	<u>\$ 181,474</u>	<u>\$ 308,576</u>	<u>\$ 127,102</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Revenues				
Title I - grants to local education agencies	\$ 915,147	\$ 930,183	\$ 651,837	\$ (278,346)
Eisenhower professional development state grants	118,676	122,587	87,163	(35,424)
English Language Acquisition Grant	8,365	8,239	6,237	(2,002)
Rural Education Grant	38,072	39,401	23,017	(16,384)
Special education grants - preschool	32,585	39,318	28,869	(10,449)
Special education grants to states	373,735	389,431	254,770	(134,661)
Vocational education - basic grants to states	39,197	40,178	40,130	(48)
Total revenues	<u>1,525,777</u>	<u>1,569,337</u>	<u>1,092,023</u>	<u>(477,314)</u>
Expenditures				
Instruction:				
Regular Instruction	779,958	679,321	513,233	(166,088)
Special Education	313,354	322,363	233,718	(88,645)
Vocational Education	26,091	29,760	29,550	(210)
Support Services:				
Attendance	4,364	4,490	3,088	(1,402)
Other Student Support	48,306	46,518	38,660	(7,858)
Regular Instruction	228,233	348,500	202,182	(146,318)
Special Education	82,554	95,399	42,651	(52,748)
Vocational Education	1,000	100	100	-
Board of education	6,235	6,415	4,410	(2,005)
Fiscal services	27,281	28,070	19,297	(8,773)
Transportation	8,401	8,401	5,134	(3,267)
Total expenditures	<u>1,525,777</u>	<u>1,569,337</u>	<u>1,092,023</u>	<u>(477,314)</u>
Revenues over expenditures	-	-	-	-
Fund balance - July 1, 2014	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-
Fund balance - June 30, 2015	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>

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CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SCHOOL CENTRALIZED CAFETERIA FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Lunch revenue - children	\$ 76,700	\$ 76,700	\$ 79,768	\$ 3,068
Lunch revenue - adults	16,500	16,500	14,625	(1,875)
Breakfast revenue	4,000	4,000	4,881	881
Miscellaneous lunch revenue	57,000	57,000	60,131	3,131
State matching funds	8,000	8,000	8,403	403
USDA reimbursements	462,000	481,551	480,862	(689)
Breakfast reimbursement	157,000	178,000	177,107	(893)
Interest income	1,324	1,324	1,351	27
Other local revenue	4,000	4,000	4,723	723
Total revenues	<u>786,524</u>	<u>827,075</u>	<u>831,851</u>	<u>4,776</u>
Expenditures				
Food supplies	325,000	355,000	348,270	(6,730)
Salaries - cafeteria personnel	199,070	207,434	208,742	1,308
Supervisor/director	60,789	60,789	60,789	-
Accountants/bookkeepers	11,727	11,727	9,772	(1,955)
Other salaries and wages	5,000	5,000	3,718	(1,282)
Office supplies	3,400	3,400	1,042	(2,358)
Other cafeteria expense	44,600	44,600	40,145	(4,455)
Social security	17,149	17,668	16,059	(1,609)
State retirement	24,227	24,953	21,589	(3,364)
Life insurance	525	525	439	(86)
Medical insurance	120,626	121,446	121,446	-
Unemployment compensation	1,000	1,000	123	(877)
Medicare	4,011	4,133	3,756	(377)
Maintenance and repair - equipment	1,500	1,500	925	(575)
Transportation costs	4,400	4,400	2,558	(1,842)
Travel	1,500	1,500	650	(850)
Other contract services	12,000	12,000	13,707	1,707
Food service equipment	25,000	25,000	9,999	(15,001)
Total expenditures	<u>861,524</u>	<u>902,075</u>	<u>863,729</u>	<u>(38,346)</u>
Revenues over (under) expenditures	(75,000)	(75,000)	(31,878)	43,122
Fund balance - July 1, 2014	<u>334,810</u>	<u>334,810</u>	<u>314,382</u>	<u>(20,428)</u>
Fund balance - June 30, 2015	<u>\$ 259,810</u>	<u>\$ 259,810</u>	<u>\$ 282,504</u>	<u>\$ 22,694</u>

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SCHOOL CENTRALIZED CAFETERIA FUND
For the Year Ended June 30, 2015

Reconciliation to Combining Statement of Revenues, Expenditures and Changes in Fund Balances:	Budgetary Basis	Value of Commodities	GAAP Basis
Beginning fund balance	<u>\$ 314,382</u>		<u>\$ 348,316</u>
Revenues	831,851	42,359	874,210
Expenditures	<u>(863,729)</u>	<u>(42,359)</u>	<u>(906,088)</u>
Revenues over (under) expenditures	(31,878)		(31,878)
Change in inventory	<u>-</u>		<u>(12,172)</u>
Ending fund balance	<u>\$ 282,504</u>		<u>\$ 304,266</u>

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE FUND

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Refuse collection	\$ 1,700,000	\$ 1,700,000	\$ 1,886,984	\$ 186,984
Expenditures				
Salaries	123,000	123,000	122,433	(567)
Payroll taxes	6,000	6,000	7,131	1,131
Health insurance	15,000	15,000	13,848	(1,152)
Retirement	6,000	6,000	4,634	(1,366)
Workers compensation	6,000	6,000	6,252	252
Unemployment	6,000	6,000	5,095	(905)
Stationary and forms	-	-	189	189
Landfill services	1,189,958	1,189,958	1,197,295	7,337
Street sweeping/brush pickup	15,000	15,000	15,720	720
Repairs and maintenance	30,000	30,000	30,050	50
Roll-off services	78,000	78,000	79,236	1,236
Gas, oil and diesel	15,000	15,000	15,601	601
Total expenditures	<u>1,489,958</u>	<u>1,489,958</u>	<u>1,497,484</u>	<u>7,526</u>
Revenues over expenditures	210,042	210,042	389,500	179,458
Fund balance - July 1, 2014	<u>491,806</u>	<u>491,806</u>	<u>491,806</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ 701,848</u>	<u>\$ 701,848</u>	<u>\$ 881,306</u>	<u>\$ 179,458</u>

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAREY COUNSELING PROJECT FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Over Over (Under)
Revenues				
Matching revenue from Carey Counseling	\$ -	\$ -	\$ 3,295	\$ 3,295
Expenditures				
Building construction	<u>81,261</u>	<u>81,261</u>	<u>80,008</u>	<u>(1,253)</u>
Revenues over (under) expenditures	(81,261)	(81,261)	(76,713)	4,548
Fund balance - July 1, 2014	<u>81,261</u>	<u>81,261</u>	<u>81,261</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,548</u>	<u>\$ 4,548</u>

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Expenditures
U.S. Environmental Protection Agency			
EPA Brownfield Community-Wide Grant	66.818	00D11413	\$ 98,854
U.S. Department of Transportation			
<i>Pass-through Tennessee Department of Transportation</i>			
Highway Planning and Construction Resurfacing Grant	20.205	STPM-2967	16
High Visibility Law Enforcement Campaigns	20.607	Z15GHS416	3,990
Alcohol Countermeasures Enforcement	20.607	Z15GHS415	24,950
Alcohol Countermeasures Enforcement	20.607	Z14GHS402	12,035
			40,975
State and Community Highway Safety-Network Coordinator	20.600	Z14GHS403	8,615
State and Community Highway Safety-Network Coordinator	20.600	Z13GHS369	3,120
Total State and Community Highway Safety Grants			11,735
Total U.S. Department of Transportation			52,726
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2013-FO-03668	15,006
TOTAL FEDERAL AWARDS			\$ 166,586

NOTE: The accompanying schedule was prepared on the modified accrual basis of accounting.
Federal and state financial assistance for the Union City Board of Education were presented in their separately-issued audit report and, therefore, are not included here.

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF STATE ASSISTANCE
For the Year Ended June 30, 2015

<u>State Grantor/Pass-Through Grantor Program Title</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
Tennessee Department of Economic and Community Development Tennessee Infrastructure Improvement Program	Edison #8688	\$ <u>415,844</u>
TOTAL STATE ASSISTANCE		\$ <u>415,844</u>

NOTE: The accompanying schedule was prepared on the modified accrual basis of accounting.

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
BY INDIVIDUAL ISSUE - ALL FUNDS

June 30, 2015

Year Ending June 30,	GOVERNMENTAL ACTIVITIES								ELECTRIC SYSTEM	
	2009 Refunding Bonds		2011 Capital Outlay Note		2013 General Obligation Bonds		Total Debt Service		Intermediary Loan Greenfield Products	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 405,000	\$ 160,450	\$ 38,000	\$ 1,444	\$ 150,000	\$ 118,190	\$ 593,000	\$ 280,084	\$ 185,190	\$ -
2017	420,000	147,288	-	-	200,000	115,190	620,000	262,478	222,228	-
2018	435,000	132,588	-	-	200,000	111,190	635,000	243,778	222,228	-
2019	450,000	118,233	-	-	200,000	107,190	650,000	225,423	222,228	-
2020	465,000	100,233	-	-	200,000	102,690	665,000	202,923	222,228	-
2021	485,000	81,633	-	-	200,000	97,690	685,000	179,323	222,228	-
2022	505,000	62,233	-	-	200,000	92,490	705,000	154,723	222,228	-
2023	525,000	42,538	-	-	200,000	86,490	725,000	129,028	222,228	-
2024	545,000	21,800	-	-	200,000	80,340	745,000	102,140	222,228	-
2025	-	-	-	-	340,000	74,090	340,000	74,090	36,986	-
2026	-	-	-	-	350,000	62,700	350,000	62,700	-	-
2027	-	-	-	-	350,000	49,800	350,000	49,800	-	-
2028	-	-	-	-	350,000	36,800	350,000	36,800	-	-
2029	-	-	-	-	250,000	22,500	250,000	22,500	-	-
2030	-	-	-	-	250,000	11,250	250,000	11,250	-	-
	<u>\$ 4,235,000</u>	<u>\$ 866,996</u>	<u>\$ 38,000</u>	<u>\$ 1,444</u>	<u>\$ 3,640,000</u>	<u>\$ 1,168,600</u>	<u>\$ 7,913,000</u>	<u>\$ 2,037,040</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
BY INDIVIDUAL ISSUE - ALL FUNDS

June 30, 2015

Year Ending June 30,	WATER AND SEWER FUND						GOVERNMENT-WIDE		
	SRF Loan		2013 Bonds		Total Debt Service		DEBT SERVICE		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Governmental	Business-type	
2016	\$ 131,040	\$ 32,364	\$ 135,000	\$ 40,548	\$ 266,040	\$ 72,912	\$ 873,084	\$ 524,142	\$ 1,397,226
2017	132,576	30,828	135,000	37,848	267,576	68,676	882,478	558,480	1,440,958
2018	134,136	29,268	135,000	35,148	269,136	64,416	878,778	555,780	1,434,558
2019	135,720	27,684	140,000	32,448	275,720	60,132	875,423	558,080	1,433,503
2020	137,316	26,088	140,000	29,648	277,316	55,736	867,923	555,280	1,423,203
2021	138,936	24,468	140,000	26,848	278,936	51,316	864,323	552,480	1,416,803
2022	140,568	22,836	140,000	23,768	280,568	46,604	859,723	549,400	1,409,123
2023	142,224	21,180	140,000	20,408	282,224	41,588	854,028	546,040	1,400,068
2024	143,892	19,512	105,000	16,838	248,892	36,350	847,140	507,470	1,354,610
2025	145,584	17,820	115,000	14,055	260,584	31,875	414,090	329,445	743,535
2026	147,300	16,104	120,000	10,893	267,300	26,997	412,700	294,297	706,997
2027	149,028	14,376	120,000	7,413	269,028	21,789	399,800	290,817	690,617
2028	150,780	12,624	125,000	3,813	275,780	16,437	386,800	292,217	679,017
2029	152,556	10,848	-	-	152,556	10,848	272,500	163,404	435,904
2030	154,356	9,048	-	-	154,356	9,048	261,250	163,404	424,654
2031	156,168	7,236	-	-	156,168	7,236	-	163,404	163,404
2032	158,004	5,400	-	-	158,004	5,400	-	163,404	163,404
2033	159,864	3,540	-	-	159,864	3,540	-	163,404	163,404
2034	161,736	1,668	-	-	161,736	1,668	-	163,404	163,404
2035	54,260	151	-	-	54,260	151	-	54,411	54,411
	<u>\$ 2,826,044</u>	<u>\$ 333,043</u>	<u>\$ 1,690,000</u>	<u>\$ 299,676</u>	<u>\$ 4,516,044</u>	<u>\$ 632,719</u>	<u>\$ 9,950,040</u>	<u>\$ 7,148,763</u>	<u>\$ 17,098,803</u>

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF PROPERTY TAX RECEIVABLE
For the Year Ended June 30, 2015

Tax Year	Balance July 1, 2014	Property Tax Levied	Anticipated Current Year Levy	Abatements/ Adjustments	Collections	Balance June 30, 2015
2015	\$ -	\$ -	\$4,199,489	\$ -	\$ -	\$ 4,199,489
2014	-	4,522,608	-	(343,807)	(3,787,960)	390,841
2013	320,052	-	-	1,320	(153,742)	167,630
2012	127,848	-	-	538	(64,982)	63,404
2011	37,468	-	-	-	(20,568)	16,900
2010	15,665	-	-	-	(3,106)	12,559
2009	15,197	-	-	-	(4,083)	11,114
2008	5,729	-	-	-	(834)	4,895
2007	1,602	-	-	-	(15)	1,587
2006	4,288	-	-	98	-	4,386
2005	9,654	-	-	-	-	9,654
2003	<u>16,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,867</u>
	<u>\$ 554,370</u>	<u>\$ 4,522,608</u>	<u>\$ 4,199,489</u>	<u>\$ (341,851)</u>	<u>\$ (4,035,290)</u>	4,899,326

Allowance for uncollectible property taxes (699,217)

Total taxes receivable **\$ 4,200,109**

NOTE:

All uncollected taxes for years prior to 2013 have been turned over to the Clerk and Master for collection.

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
UNAUDITED
June 30, 2015

<u>Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Levy</u>
2015	\$ 196,062,956	\$2.14	\$ 4,199,489
2014	\$ 211,148,508	\$2.14	\$ 4,522,590
2013	\$ 190,877,991	\$2.14	\$ 4,088,410
2012	\$ 187,989,365	\$2.13	\$ 4,004,173
2011	\$ 185,816,526	\$2.12	\$ 3,939,368
2010	\$ 185,352,748	\$2.11	\$ 3,910,924
2009	\$ 181,740,800	\$2.10	\$ 3,816,557
2008	\$ 179,594,996	\$1.81	\$ 3,256,416
2007	\$ 158,838,638	\$2.02	\$ 3,208,540
2006	\$ 158,235,282	\$2.02	\$ 3,196,353

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
June 30, 2015

ELECTRIC RATES - 7,089 customers

RESIDENTIAL RATE - SCHEDULE RS

Customer charge	\$13.31	per month less \$1.71 Hydro allocation credit
Energy charge	\$0.08534	per kWh per month

GENERAL POWER RATE - SCHEDULE GSA

Part 1 (0 - 50 kW)

Customer charge	\$21.56	per delivery point per month
Energy charge	\$0.09780	per kWh per month

Part 2 (51 - 1,000 kW)

Customer charge	\$95.83	per delivery point per month
Demand charge	First 50 kW of billing demand per month, no charge	
	Excess over 50kW of billing demand per month, at \$13.44 per kW	
Energy charge	First 15,000 kWh per month at \$0.10038 per kWh	
	Additional kWh per month at \$0.05952 per kWh	

Part 3 (1,001 - 5,000 kW)

Customer charge	\$278.78	per delivery point per month
Demand charge	First 1,000 kW of billing demand per month, at \$12.98 per kW	
	Excess over 1,000 kW of billing demand per month, at \$12.99 per kW	
Manufacturing	First 1,000 kW of billing demand per month, at \$11.60 per kW	
	Excess over 1,000 kW of billing demand per month, at \$11.36 per kW	
Energy charge	\$0.06319	per kWh per month
Manufacturing	\$0.05779	per kWh per month

GENERAL POWER RATE - SCHEDULE SGSB/SMSB

Customer charge	\$1,500.00	per delivery point per month
Demand charge	\$22.09	per kW of billing demand per month
Manufacturing	\$19.65	per kW of billing demand per month
Energy charge	\$0.04855	per kWh per month
Manufacturing	\$0.04047	per kWh per month

GENERAL POWER RATE - SCHEDULE SGSC/SMSC

Customer charge	\$1,500.00	per delivery point per month
Demand charge	\$22.19	per kW of billing demand per month
Manufacturing	\$19.14	per kW of billing demand per month
Energy charge	\$0.04868	per kWh per month
Manufacturing	\$0.04015	per kWh per month

GENERAL POWER RATE - SCHEDULE SGSD/SMSD

Customer charge	\$1,500.00	per delivery point per month
Demand charge	\$25.84	per kW of billing demand per month
Manufacturing	\$22.08	per kW of billing demand per month
Energy charge	\$0.04124	per kWh per month
Manufacturing	\$0.03265	per kWh per month

OUTDOOR LIGHTING RATE - SCHEDULE LS

Energy charge	\$0.06569	per kWh per month
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See independent auditor's report

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
June 30, 2015

WATER RATES - 6,818 customers

Inside corporate limits of Union City:

0 to 2,000 gallons	\$7.60	minimum charge
3,000 to 25,000 gallons	\$2.30	per 1,000 gallons
26,000 gallons and up	\$1.55	per 1,000 gallons

Outside corporate limits of Union City:

0 to 2,000 gallons	\$15.15	minimum charge
3,000 gallons and up	\$3.40	per 1,000 gallons

SEWER RATES - 5,153 customers

Inside corporate limits of Union City:

\$7.15 minimum charge plus \$2.05 per 1,000 gallons

Outside corporate limits of Union City:

\$15.70 minimum charge plus \$2.10 per 1,000 gallons

SANITATION RATES


Inside corporate limits of Union City:

\$15.00 per month for residential service
\$36.00 per month for commercial service

CITY OF UNION CITY, TENNESSEE

WATER LOSS SCHEDULE - UNAUDITED

For the Year Ended June 30, 2015



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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Water Audit Report for: City of Union City (0000720)

Reporting Year: 2015 7/2014 - 6/2015

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources:	+	?	9	1,273.200	MG/Yr	+	?	9	0.91%		MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr	+	?				MG/Yr
Water exported:	+	?	5	37.145	MG/Yr	+	?	5	-1.00%		MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

<----- Enter grading in column 'E' and 'J' ----->

Master Meter and Supply Error Adjustments

Pcnt: 0.91% Value: MG/Yr

Pcnt: -1.00% Value: MG/Yr

Pcnt: 1.25% Value: 21.234 MG/Yr

Pcnt: 0.25% Value: MG/Yr

Pcnt: 2.00% Value: MG/Yr

Pcnt: 0.25% Value: MG/Yr

WATER SUPPLIED: 1,224.198 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	9	962.921	MG/Yr
Billed unmetered:	+	?	7	0.358	MG/Yr
Unbilled metered:	+	?	n/a	0.000	MG/Yr
Unbilled unmetered:	+	?	5	21.234	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 984.513 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 239.685 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 10 3.060 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? 7 19.651 MG/Yr

Systematic data handling errors: + ? 5 2.407 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: ? 25.119 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 214.566 MG/Yr

WATER LOSSES: 239.685 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 260.919 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 10 621.0 miles

Number of active AND inactive service connections: + ? 10 7,251

Service connection density: ? 12 conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: + ? ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 7 65.0 psi

COST DATA

Total annual cost of operating water system:	+	?	9	\$4,582.063	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	9	\$4.19	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	7	\$300.99	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 81 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors

See independent auditor's report

CITY OF UNION CITY, TENNESSEE
WATER LOSS SCHEDULE - UNAUDITED
For the Year Ended June 30, 2015



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
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Water Audit Report for: City of Union City (0000720)
Reporting Year: 2015 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 ***

System Attributes:

Apparent Losses:	25.119	MG/Yr
+	Real Losses:	214.566
=	Water Losses:	239.685

? Unavoidable Annual Real Losses (UARL): 105.51 MG/Yr

Annual cost of Apparent Losses: \$105,250

Annual cost of Real Losses: \$64,582 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: 21.3%
Non-revenue water as percent by cost of operating system: 3.8% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 9.49 gallons/connection/day
Real Losses per service connection per day: N/A gallons/connection/day
Real Losses per length of main per day*: 946.62 gallons/mile/day
Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 214.57 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.03

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

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

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AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

624 East Reelfoot Ave.
Union City, TN 38261

Phone 731.885.3661
Fax 731.885.6909
www.atacpa.net

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union City, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Items 2015-001, 2015-002 and 2015-003, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Union City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Items 2015-001 and 2015-002.

City of Union City's Response to Findings

City of Union City's response to the findings identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 1, 2016

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2015

2015-001 Uncollateralized Deposits – City of Union City

Condition: During our testing, we noted that bank deposits did not have sufficient collateral pledged at various times during the year as required by state statute.

Criteria: Tennessee Code Annotated (TCA), Title 9, Chapter 4, requires public deposits to be secured by collateral whose market value is equal to 105% of the value of the deposits.

Effect: In the event of a bank failure, the City risks losing cash deposits that are not fully insured by FDIC insurance and properly pledged securities.

Recommendation: We recommend that the City closely monitor the market value of pledged securities in order to ensure that they have sufficient collateral to cover 105% of deposited funds.

Response: *I concur with the Auditor's findings and will monitor Reportfolio and City bank balances more closely and frequently in the future. Additionally, I intend to meet with bank officials regarding my concerns in this matter.*

2015-002 Expenditures in Excess of Budget – City of Union City

Condition: For the year ended June 30, 2015, the City had one fund with expenditures in excess of budgeted amounts. The Solid Waste Fund exceeded its budgeted expenditures by \$7,526.

Criteria: Tennessee Code Annotated 6-56-203 requires that municipalities expend monies in accordance with a budget ordinance.

Effect: The City has made expenditures not legally appropriated by the City Council.

Recommendation: The City should carefully monitor all of their budgets periodically and make amendments in order to include all expenditures.

Response: *The over expenditures were due to the timing of some budget amendments. Excess funds that were received were expensed before the amendment process was complete. At no time were funds overdrawn. I will make every effort to process timely amendments in the future.*

2015-003 Segregation of Duties – Union City Electric System

Condition: Union City Electric System has assigned accounting duties to two employees. While some of the duties have been segregated, one employee still reconciles bank accounts, prints checks and posts the general ledger. The other employee reconciles subsidiary ledgers and posts to the general ledger.

Criteria: Proper segregation of duties involves separating the functions of recording transactions, posting the general ledger and reconciling general ledger accounts.

Effect: The risk of material misstatements occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2015

Recommendation: The possibilities of existing staff being utilized in some of the above areas should be explored. In addition, cross-training of the staff would improve the likelihood that vital tasks could continue in the unexpected absence of an employee.

Response: *We have been made aware through this finding of potential problems in the lack of segregation of duties in the Internal Control system. Given the number of clerical employees of UCES and their accounting abilities, we will segregate the duties as much as possible.*

CITY OF UNION CITY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015

Financial Statement Findings

Number	Title	Status
1996-007	Segregation of duties	repeated
2014-001	Uncollateralized Deposits	repeated
2014-002	Expenditures in Excess of Budget	repeated

Federal Award Programs and Questioned Costs

The City of Union City was not subject to a single audit in the prior year.