

NEW ISSUE**BOOK-ENTRY-ONLY**

Rating: S&P – “AA-”

(See “MISCELLANEOUS-Rating” herein)

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

\$7,075,000**CITY OF UNION CITY, TENNESSEE****General Obligation Bonds, Series 2019**

Dated: September 20, 2019

Due: June 1, as shown below.

The \$7,075,000 General Obligation Bonds, Series 2019 (the “Bonds”) issued by the City of Union City (the “City”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2019 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

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

<u>Due (June 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due (June 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$ 660,000	3.00 %	1.05 %	905836HA3	2028	\$ 280,000	2.50 %	1.45 % c	905836HJ4
2021	705,000	3.00	1.10	905836HB1	2029	285,000	2.50	1.55 c	905836HK1
2022	725,000	3.00	1.15	905836HC9	2034	210,000	2.25	2.05 c	905836HQ8
2023	745,000	3.00	1.18	905836HD7	2035	215,000	2.25	2.10 c	905836HR6
2024	770,000	3.00	1.20	905836HE5	2036	220,000	2.25	2.15 c	905836HS4
2025	250,000	3.00	1.25	905836HF2	2037	225,000	2.50	2.20 c	905836HT2
2026	260,000	3.00	1.30	905836HG0	2038	230,000	2.50	2.25 c	905836HU9
2027	270,000	3.00	1.35 c	905836HH8	2039	235,000	2.50	2.30 c	905836HV7
	\$ 385,000	2.25%		Term Bond Due	June 1, 2031	@ 1.75%	c		905836HM7
	\$ 405,000	2.25%		Term Bond Due	June 1, 2033	@ 2.00%	c		905836HP0

c = Yield to call June 1, 2026

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, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the City by James M. Glasgow, Jr., Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about September 20, 2019.

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

August 21, 2019

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

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

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

CITY OF UNION CITY, TENNESSEE

COUNCILMEMBERS

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

CITY OFFICIALS

Kathy Dillon
City Manager

Tracy Gore
City Clerk

James M. Glasgow, Jr.
City Attorney

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SECURITIES OFFERED	
Authority and Purpose	1
Refunding Plan	1
Description of the Bonds	2
Security	2
Qualified Tax-Exempt Obligations	2
Optional Redemption.....	2
Mandatory Redemption.....	3
Notice of Redemption.....	4
Payment of Bonds.....	4
BASIC DOCUMENTATION	
Registration Agent	5
Book-Entry-Only System	5
Discontinuance of Book-Entry-Only System.....	7
Disposition of Bond Proceeds	8
Discharge and Satisfaction of Bonds.....	8
Remedies of Bondholders.....	10
LEGAL MATTERS	
Litigation.....	11
Tax Matters	
<i>Federal</i>	11
<i>State Tax</i>	13
Changes in Federal and State Tax Law	13
Closing Certificates.....	13
Approval of Legal Proceedings	14
MISCELLANEOUS	
Rating.....	15
Competitive Public Sale	15
Municipal Advisor; Related Parties; Other	15
Additional Debt.....	16
Debt Limitations	17
Debt Record	17
Continuing Disclosure	17
<i>Five-Year History of Filing</i>	17
<i>Content of Annual Report</i>	17
<i>Reporting of Significant Events</i>	18
<i>Termination of Reporting Obligation</i>	20
<i>Amendment; Waiver</i>	20
<i>Default</i>	20
Additional Information.....	21
CERTIFICATION OF THE CITY	22
APPENDIX A: LEGAL OPINION	
APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT	

GENERAL INFORMATION

Location	B-1
General.....	B-1
Transportation	B-1
Education	B-2
Manufacturing and Commerce	B-3
<i>Major Employers</i>	B-3
Employment Information.....	B-4
Economic Data.....	B-5
Recreation	B-5
Recent Developments	B-6

DEBT STRUCTURE

Summary of Bonded Indebtedness	B-8
Indebtedness and Debt Ratios	B-9
Debt Service Requirements - General Obligation	B-11
Debt Service Requirements – Water and Sewer.....	B-12

FINANCIAL INFORMATION

Basis of Accounting and Presentation.....	B-13
Fund Balances and Retained Earnings.....	B-13
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – General Fund	B-14
Investment and Cash Management Practices.....	B-15
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i>	B-15
<i>County Taxation of Property</i>	B-16
<i>Assessment of Property</i>	B-17
<i>Periodic Reappraisal and Equalization</i>	B-18
<i>Valuation for Property Tax Purposes</i>	B-18
<i>Certified Tax Rate</i>	B-18
<i>Tax Freeze for the Elderly Homeowners</i>	B-19
<i>Tax Collection and Tax Lien</i>	B-19
<i>Assessed Valuations</i>	B-20
<i>Property Tax Rates and Collections</i>	B-20
<i>Ten Largest Taxpayers</i>	B-21
Pension Plans	B-22
Other Post-Employment Benefits Other Than Pensions	B-22

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS

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*.

The Issuer	City of Union City, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered	\$7,075,000 General Obligation Bonds, Series 2019 (the “Bonds”) of the City, dated the date of issuance (September 20, 2019). The Bonds mature each June 1 beginning June 1, 2020 through June 1, 2029, inclusive, June 1, 2031, June 1, 2033 and June 1, 2034 through June 1, 2039, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	The Bonds are payable from unlimited <i>ad valorem</i> taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of financing, in whole or in part, (i) the conversion to bonds of the City's outstanding General Obligation Capital Outlay Note, Series 2017, dated February 24, 2017, (ii) the refunding of the City's outstanding General Obligation Refunding Bonds, Series 2009, dated February 27, 2009; (iii) the acquisition, construction, renovation, improvement and/or equipping school facilities; (iv) the legal, fiscal, administrative, architectural and engineering costs incident to the such projects; (v) reimbursement to the City for funds previously expended for such projects; (vi) payment of capitalized interest during construction of the such projects and for up to six months thereafter; and (viii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
Optional Redemption	The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026. See the section entitled “SECURITIES OFFERED – Optional Redemption”.
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Bank Qualification	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating	S&P: “AA-“. See the section entitled “MISCELLANEOUS - Rating” for more information.

Municipal Advisor.....Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.

Underwriter.....FTN Financial Capital Markets, Memphis, Tennessee.

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

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

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

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

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 (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the City or this *Official Statement*, contact Mr. Terry Hailey, Mayor, 408 South Depot Street, Union City, Tennessee 38281, Telephone: 731-885-1341; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding **BiDCOMP™/PARITY®** may be obtained from **PARITY®**, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800-850-7422.

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

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

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

\$7,075,000
CITY OF UNION CITY, TENNESSEE
General Obligation Bonds, Series 2019

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 City of Union City, Tennessee (the “City”) of \$7,075,000 General Obligation Bonds, Series 2019 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the City Council of the City on July 16, 2019 (the “Resolutions”).

The Bonds are being issued for the purpose of financing, in whole or in part, (i) the conversion to bonds of the City's outstanding General Obligation Capital Outlay Note, Series 2017, dated February 24, 2017, (ii) the refunding of the City's outstanding General Obligation Refunding Bonds, Series 2009, dated February 27, 2009; (iii) the acquisition, construction, renovation, improvement and/or equipping school facilities; (iv) the legal, fiscal, administrative, architectural and engineering costs incident to the such projects; (v) reimbursement to the City for funds previously expended for such projects; (vi) payment of capitalized interest during construction of the such projects and for up to six months thereafter; and (viii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The City is proposing to issue the Bonds to refinance the City's outstanding: (1) General Obligation Refunding Bonds, Series 2009, dated February 27, 2009, maturing June 1, 2020 through June 1, 2024 in the outstanding principal amount of \$2,525,000 (the “Series 2009 Bonds”) and (2) General Obligation Capital Outlay Note, Series 2017, dated February 24, 2017, maturing February 1, 2020 through February 1, 2029 in the outstanding principal amount of \$896,000 (the “Series 2017 Notes”) (collectively, the “Outstanding Debt”). The Outstanding Debt will be called for redemption on within 30 days of the closing

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

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from September 20, 2019. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2019. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

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

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

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council, in its discretion. If less than all the principal amount of

the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

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

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

MANDATORY REDEMPTION

Subject to any credit hereinafter described, the City shall redeem Bonds maturing June 1, 2031 and June 1, 2033 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2031	June 1, 2030	\$190,000
	June 1, 2031*	\$195,000
June 1, 2033	June 1, 2032	\$200,000
	June 1, 2033*	\$205,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the

Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

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.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with

respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

- (a) an amount sufficient to pay the Outstanding Debt shall be paid to the holders thereof on the date of delivery of the Bonds or within thirty (30) days thereafter; 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 2019 Project Fund (the "Project Fund") to be kept separate and apart from all other funds of the City. The City shall disburse funds in the Project 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 Project Fund shall be disbursed solely to pay the costs of the Project. Money in the Project 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 Project Fund. Money in the Project Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Project Fund after completion of the Project and payment of authorized expenses shall be paid to the City and shall be used to pay principal of and interest on the Bonds. Moneys in the Project Funds shall be invested at the direction of the City in such investments as shall be permitted by applicable law. Earnings from such investments in the Project Fund shall, at the election of the Mayor, be applied to pay costs of the Project or 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 of such notice); or

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

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall 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, or obligations of any agency or instrumentally of the United States, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

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

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

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

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

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

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

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

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

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

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

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

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

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

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

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

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

owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the

Official Statement, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

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

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on August 21, 2019. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated August 9, 2019.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (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 \$7,371,425.31 (consisting of the par amount of the Bonds, plus an original issue premium of \$330,429.65 and less an original issue discount of \$34,004.34 or 104.190% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the “Municipal Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to

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

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

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

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

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

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

ADDITIONAL DEBT

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

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

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

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

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

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-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 System as of the end of such fiscal year as shown on page B-12;
5. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-13;
6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-14;
7. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-20;
8. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-20; and
9. The most recent ten largest taxpayers as shown on page B-21 (only one year will be required).

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the City or related public entities, which have been submitted to the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

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

a financial obligation of the City, any of which affect security holders, if material; and

- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

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

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 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 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.

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CERTIFICATION OF THE CITY

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Terry Hailey
Mayor

ATTEST:

/s/ Tracy Gore
City Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Union City, Tennessee (the "Issuer") of the \$7,075,000 General Obligation Bonds, Series 2019 (the "Bonds") dated September 20, 2019. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the 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 Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

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

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

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

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

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

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

GENERAL

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

Obion County is also part of the 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 2017 enrollment was 3,234 students with 251 teachers. The *Union City School System* has one elementary school, one middle school and one high school. The fall 2017 enrollment was 1,611 with 123 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 2017 semester had an enrollment of 6,772 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 2017 semester had an enrollment of 2,860 students. Dyersburg State also offers increased access to education via technology-assisted instruction, distance learning and course offerings at convenient locations in three other campuses in Obion, Gibson and Tipton Counties.

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

The Tennessee College of Applied Technology - Newbern. The Tennessee College of Applied Technology - Newbern (the "TCAT-N") is part of a statewide system of 26 vocational-technical schools. The TCAT-N meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-N serves the northwest region of

the state including Dyer, Lake and Obion Counties. The TCAT-N began operations in 1965, and the main campus is located in Dyer County. Fall 2016 enrollment was 614 students.

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

MEDICAL

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

There are fifteen privately owned hospitals in Baptist Memorial Health Care's system: nine in Tennessee, five in Mississippi and one in Arkansas.

Source: Baptist Memorial Health Care Corporation.

MANUFACTURING AND COMMERCE

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

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

Major Industrial Employers in Obion County

<u>Company</u>	<u>Product</u>	<u>Employment</u>
Tyson Foods	Poultry Processing	1,100
Williams Sausage	Food Processing	615
Titan Tire	Rubber/Tire Production	400
Kohler Co.	Plastic Products	288
MVP Brands	Candle Distribution	150
Greenfield Products	Heavy Steel fabrication	95
Griffin Industries Inc.	Animal, Marine Fats & oils	94
MIA Seating	Office Chair Manufacturing	55
Vaughn Electric	Electrical	45
Hanafee Brothers Sawmill	Hardwood Lumber	44

Source: West Tennessee Industrial Association - 2017.

EMPLOYMENT INFORMATION

For the month of June 2019, the unemployment rate for Obion County stood at 5.4% with 12,057 persons employed out of a labor force of 12,751.

For the month of June 2019, the unemployment rate for the Union City mSA stood at 5.6% with 14,001 persons employed out of a labor force of 14,828. As of June 2019, the unemployment rate in the Union City-Martin CSA stood at 5.2%, representing 29,579 persons employed out of a workforce of 31,207.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.7%	3.5%
Obion County	9.6%	8.6%	7.0%	5.5%	4.9%
Index vs. National	155	162	143	125	136
Index vs. State	145	154	149	145	140
Union City, TN-KY mSA	9.3%	8.7%	7.1%	5.5%	n/a
Index vs. National	150	164	145	125	n/a
Index vs. State	141	155	151	149	n/a
Union City-Martin CSA	9.0%	7.6%	6.4%	5.3%	4.6%
Index vs. National	145	143	131	120	128
Index vs. State	136	136	136	139	131

Source: Tennessee Department of Labor and Workforce Development.

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ECONOMIC DATA

Per Capita Personal Income

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,493	\$46,494	\$48,451	\$49,246	\$51,640
Tennessee	\$38,814	\$40,128	\$42,128	\$43,326	\$45,517
Obion County	\$36,053	\$36,313	\$37,148	\$37,090	\$38,750
Index vs. National	80	77	76	74	75
Index vs. State	91	89	87	84	85
Union City, TN-KY mSA	\$35,459	\$35,629	\$36,300	\$36,109	\$37,651
Index vs. National	79	76	74	72	73
Index vs. State	90	87	85	82	83
Union City-Martin CSA	\$34,477	\$34,494	\$35,067	\$35,319	\$36,990
Index vs. National	77	73	72	71	72
Index vs. State	87	84	82	80	81

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	\$193,500	\$151,700	\$87,600	\$87,600
% High School Graduates or Higher Persons 25 Years Old and Older	87.3%	86.5%	83.1%	82.5%
% Persons with Income Below Poverty Level	12.3%	15.0%	20.7%	31.7%
Median Household Income	\$57,652	\$48,708	\$38,063	\$32,882

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

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.

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.

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

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

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CITY OF UNION CITY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	Estimated As Of June 30, 2019 (1) OUTSTANDING
\$ 6,625,000	General Obligation Refunding Bonds, Series 2009	June 2024	Fixed	\$ 2,525,000
3,150,000	(2) Loan Agreement, Series 2012 (SRF)	2034	Fixed	2,281,524
3,260,000	(3) General Obligation Bonds, Series 2013A	June 2028	Fixed	2,045,000
2,490,000	General Obligation Bonds, Series 2013B (Taxable)	June 2030	Fixed	1,990,000
5,950,000	(4) General Obligation Bonds, Series 2016	June 2036	Fixed	5,425,000
1,050,000	Capital Outlay Notes, Series 2017	Feb. 2029	Fixed	896,000
<u>\$ 22,525,000</u>	TOTAL BONDED DEBT			<u>\$ 15,162,524</u>
\$ 7,075,000	(5) General Obligation Bonds, Series 2019	June 2039	Fixed	\$ 7,075,000
(7,675,000)	Less: Refunded Debt			(3,421,000)
<u>(7,025,000)</u>	Less: Revenue Supported Debt			<u>(5,591,524)</u>
<u>\$ 14,900,000</u>	NET BONDED DEBT			<u>\$ 13,225,000</u>

NOTES:

- (1) The above figures do not include short-term notes or leases outstanding, if any. Also, does not include a \$2,430,000 Energy Efficient School Initiative (EESI) Loan Agreement from the State of Tennessee to be paid back by energy savings from the City's Schools.
- (2) Water and Sewer System Revenue Supported Debt.
- (3) \$1,145,000 of the Series 2013A Bonds are supported by Water and Sewer System Revenue.
- (4) \$2,165,000 of the Series 2016 Bonds are supported by Water and Sewer System Revenue. The previous amount allocated to stormwater was reallocated to the Water and Sewer System
- (5) \$3,745,000 of the Series 2019 Bonds are supported by school system revenue.

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
	2015	2016	2017	2018	2019	2019 (1)
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 7,913,000	\$ 7,320,000	\$ 11,325,000	\$ 10,458,000	\$ 9,571,000	\$ 13,225,000
W&S Revenue Supported Bonds	4,516,044	4,250,004	6,346,380	5,972,244	5,591,524	5,591,524
TOTAL TAX SUPPORTED	\$ 12,429,044	\$ 11,570,004	\$ 17,671,380	\$ 16,430,244	\$ 15,162,524	\$ 18,816,524
TOTAL DEBT						
Less: Revenue Supported Debt	\$ 12,429,044	\$ 11,570,004	\$ 17,671,380	\$ 16,430,244	\$ 15,162,524	\$ 18,816,524
Less: Debt Service Fund	\$ (4,516,044)	\$ (4,250,004)	\$ (6,346,380)	\$ (5,972,244)	\$ (5,591,524)	\$ (5,591,524)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET DIRECT DEBT	\$ 7,913,000	\$ 7,320,000	\$ 11,325,000	\$ 10,458,000	\$ 9,571,000	\$ 13,225,000
PROPERTY TAX BASE						
Estimated Actual Value	\$ 655,474,385	\$ 630,237,876	\$ 646,464,736	\$ 656,069,279	\$ 656,414,027	\$ 656,414,027
Appraised Value	\$ 655,474,385	\$ 618,137,309	\$ 634,052,613	\$ 627,989,514	\$ 656,414,027	\$ 656,414,027
Assessed Value	\$ 211,148,508	\$ 196,270,775	\$ 202,046,303	\$ 200,071,905	\$ 210,260,680	\$ 210,260,680

(1) The above figures do not include short-term notes or leases outstanding, if any. Also, does not include a \$2,430,000 Energy Efficient School Initiative (EESI) Loan Agreement from the State of Tennessee to be paid back by energy savings from the City's Schools.

DEBT RATIOS	Fiscal Year Ended June 30					Unaudited	After Issuance
	2015	2016	2017	2018	2019		
TOTAL DEBT to Estimated Actual Value	1.90%	1.84%	2.73%	2.50%	2.31%	2.87%	2.87%
TOTAL DEBT to Appraised Value	1.90%	1.87%	2.79%	2.62%	2.31%	2.87%	2.87%
TOTAL DEBT to Assessed Value	5.89%	5.89%	8.75%	8.21%	7.21%	8.95%	8.95%
NET DIRECT DEBT to Estimated Actual Value	1.21%	1.16%	1.75%	1.59%	1.46%	2.01%	2.01%
NET DIRECT DEBT to Appraised Value	1.21%	1.18%	1.79%	1.67%	1.46%	2.01%	2.01%
NET DIRECT DEBT to Assessed Value	3.75%	3.73%	5.61%	5.23%	4.55%	6.29%	6.29%
PER CAPITA RATIOS							
POPULATION (1)	10,521	10,589	10,420	10,401	10,401	10,401	10,401
PER CAPITA PERSONAL INCOME (2)	\$37,148	\$37,090	\$38,750	\$38,750	\$38,750	\$38,750	\$38,750
Estimated Actual Value to POPULATION	62,302	59,518	62,041	63,078	63,111	63,111	63,111
Assessed Value to POPULATION	20,069	18,535	19,390	19,236	20,215	20,215	20,215
Total Debt to POPULATION	1,181	1,093	1,696	1,580	1,458	1,809	1,809
Net Direct Debt to POPULATION	752	691	1,087	1,005	920	1,272	1,272
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.18%	2.95%	4.38%	4.08%	3.76%	4.67%	4.67%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.02%	1.86%	2.80%	2.59%	2.37%	3.28%	3.28%

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

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

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

F.Y. Ended 6/30	Existing Debt (1) - As of June 30, 2019			General Obligation Bonds, Series 2019			% 2019 Principal Repaid	Less: Refunded Bonds & Notes			Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	\$ 909,000	\$ 296,283	\$ 1,205,283	\$ 660,000	\$ 136,106	\$ 796,106	9.33%	\$ (544,000)	\$ (112,678)	\$ (656,678)	\$ 1,025,000	\$ 319,711	\$ 1,344,711	7.75%
2021	931,000	267,188	1,198,188	705,000	175,413	880,413		(566,000)	(104,330)	(670,330)	1,070,000	338,271	1,408,271	
2022	958,000	237,038	1,195,038	725,000	154,263	879,263		(588,000)	(82,679)	(670,679)	1,095,000	308,621	1,403,621	
2023	986,000	205,637	1,191,637	745,000	132,513	877,513		(611,000)	(60,679)	(671,679)	1,120,000	277,471	1,397,471	
2024	1,008,000	172,861	1,180,861	770,000	110,163	880,163	50.95%	(633,000)	(37,552)	(670,552)	1,145,000	245,471	1,390,471	41.25%
2025	611,000	138,866	749,866	250,000	87,063	337,063		(91,000)	(13,307)	(104,307)	770,000	212,621	982,621	
2026	628,000	121,348	749,348	260,000	79,563	339,563		(93,000)	(10,779)	(103,779)	795,000	190,131	985,131	
2027	631,000	102,164	733,164	270,000	71,763	341,763		(96,000)	(8,195)	(104,195)	805,000	165,731	970,731	
2028	638,000	82,797	720,797	280,000	63,663	343,663		(98,000)	(5,528)	(103,528)	820,000	140,931	960,931	
2029	546,000	61,975	607,975	285,000	56,663	341,663	69.96%	(101,000)	(2,806)	(103,806)	730,000	115,831	845,831	70.89%
2030	450,000	44,019	494,019	190,000	49,538	239,538		-	-	-	640,000	93,556	733,556	
2031	200,000	28,769	228,769	195,000	45,263	240,263		-	-	-	395,000	74,031	469,031	
2032	205,000	24,769	229,769	200,000	40,875	240,875		-	-	-	405,000	65,644	470,644	
2033	210,000	20,413	230,413	205,000	36,375	241,375		-	-	-	415,000	56,788	471,788	
2034	215,000	15,688	230,688	210,000	31,763	241,763	84.10%	-	-	-	425,000	47,450	472,450	88.13%
2035	220,000	10,850	230,850	215,000	27,038	242,038		-	-	-	435,000	37,888	472,888	
2036	225,000	5,625	230,625	220,000	22,200	242,200		-	-	-	445,000	27,825	472,825	
2037	-	-	-	225,000	17,250	242,250		-	-	-	225,000	17,250	242,250	
2038	-	-	-	230,000	11,625	241,625		-	-	-	230,000	11,625	241,625	
2039	-	-	-	235,000	5,875	240,875	100.00%	-	-	-	235,000	5,875	240,875	100.00%
	<u>\$ 9,571,000</u>	<u>\$ 1,836,288</u>	<u>\$ 11,407,288</u>	<u>\$ 7,075,000</u>	<u>\$ 1,354,969</u>	<u>\$ 8,429,969</u>		<u>\$ (3,421,000)</u>	<u>\$ (438,533)</u>	<u>\$ (3,859,533)</u>	<u>\$ 13,225,000</u>	<u>\$ 2,752,724</u>	<u>\$ 15,977,724</u>	

NOTES:

(1) The above figures do not include short-term notes or leases outstanding, if any. Also, does not include a \$2,430,000 Energy Efficient School Initiative (EESI) Loan Agreement from the State of Tennessee to be paid back by energy savings from the City's Schools.

(2) The City budgets to account for interest rate and/or basis risk.

(3) Average Coupon 2.55%.

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

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2020	\$ 382,316	\$ 101,228	\$ 483,544	6.84%
2021	388,936	94,713	483,649	
2022	390,568	87,798	478,366	
2023	392,224	80,585	472,809	
2024	368,892	73,142	442,034	34.39%
2025	380,584	66,267	446,851	
2026	392,300	58,992	451,292	
2027	394,028	51,279	445,307	
2028	400,780	43,426	444,206	
2029	282,556	35,340	317,896	67.48%
2030	284,356	30,945	315,301	
2031	291,168	26,530	317,698	
2032	293,004	21,993	314,997	
2033	299,864	17,265	317,129	
2034	306,736	12,235	318,971	93.86%
2035	193,212	7,445	200,657	
2036	150,000	3,750	153,750	100.00%
	<u>\$ 5,591,524</u>	<u>\$ 812,932</u>	<u>\$ 6,404,456</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.

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Governmental Funds:</i>					
General	\$5,112,776	\$ 5,934,289	\$ 6,142,095	\$ 9,155,694	\$ 7,708,136
General Purpose					
School	2,670,833	2,690,866	2,260,254	2,149,702	2,691,466
Other Governmental	<u>1,372,172</u>	<u>1,812,415</u>	<u>2,090,653</u>	<u>1,755,291</u>	<u>1,849,986</u>
Total	<u>\$9,155,781</u>	<u>\$10,437,570</u>	<u>\$10,493,002</u>	<u>\$13,060,687</u>	<u>\$12,249,588</u>
<i>Proprietary Net Assets:</i>					
Water and Sewer	\$17,440,978	\$17,831,691	\$18,363,905	\$19,031,198	\$20,001,388
Electric System	<u>22,900,695</u>	<u>22,736,268</u>	<u>22,932,996</u>	<u>23,212,642</u>	-----
Total	<u>\$40,341,673</u>	<u>\$40,567,959</u>	<u>\$41,296,901</u>	<u>\$42,243,840</u>	<u>\$20,001,388</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Taxes	\$ 8,442,604	\$ 8,771,996	\$ 9,144,550	\$ 9,275,071	\$ 9,601,689
Licenses, Permits, Fines	196,407	216,697	194,928	179,346	209,999
Intergovernmental	1,253,899	1,535,452	1,530,399	1,647,923	2,132,301
Fines and Forfeitures	116,037	118,204	98,820	82,287	102,709
Charges for Services	151,004	139,362	142,760	138,139	134,897
Other	693,889	466,395	565,833	449,389	578,177
Total Revenues	<u>\$ 10,853,840</u>	<u>\$ 11,248,106</u>	<u>\$ 11,677,290</u>	<u>\$ 11,772,155</u>	<u>\$ 12,759,772</u>
Expenditures:					
Financial Administration	\$ 1,319,244	\$ 1,728,091	\$ 2,035,242	\$ 1,542,732	\$ 1,793,415
Public Safety	4,826,002	4,934,479	4,855,566	5,029,260	4,905,349
Public Services	2,065,867	2,090,615	2,595,772	4,207,097	2,931,190
Debt Service	390,449	396,752	268,190	450,751	674,896
Capital Outlay	644,916	188,499	516,021	1,489,060	2,402,280
Total Expenditures	<u>\$ 9,246,478</u>	<u>\$ 9,338,436</u>	<u>\$ 10,270,791</u>	<u>\$ 12,718,900</u>	<u>\$ 12,707,130</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,607,362	\$ 1,909,670	\$ 1,406,499	\$ (946,745)	\$ 52,642
Other Financing Sources (Uses):					
Debt Proceeds	\$ -	\$ -	\$ -	\$ 5,161,860	\$ -
Insurance Recoveries	-	127,217	-	-	-
Transfers In	532,864	564,426	579,257	578,272	279,888
Transfers Out	(1,781,350)	(1,779,800)	(1,777,950)	(1,779,788)	(1,780,088)
Total	<u>\$ (1,248,486)</u>	<u>\$ (1,088,157)</u>	<u>\$ (1,198,693)</u>	<u>\$ 3,960,344</u>	<u>\$ (1,500,200)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 358,876	\$ 821,513	\$ 207,806	\$ 3,013,599	\$ (1,447,558)
Fund Balance July 1	\$ 4,753,900	\$ 5,112,776	\$ 5,934,289	\$ 6,142,095	\$ 9,155,694
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30	<u><u>\$ 5,112,776</u></u>	<u><u>\$ 5,934,289</u></u>	<u><u>\$ 6,142,095</u></u>	<u><u>\$ 9,155,694</u></u>	<u><u>\$ 7,708,136</u></u>

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

INVESTMENT AND CASH MANAGEMENT PRACTICES

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

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the

State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive

of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the Tax Aggregate Report for Tennessee, property reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2018¹.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 9,223,976	55%	\$ 21,131,675
Commercial and Industrial	103,588,560	40%	258,971,400
Personal Tangible Property	19,740,219	30%	65,093,552
Residential and Farm	<u>77,707,925</u>	25%	<u>310,831,700</u>
TOTAL	<u>\$210,260,680</u>		<u>\$656,028,327</u>

Source: 2018 and 2017 Tax Aggregate Report for Tennessee.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2019 (tax year 2018) is \$210,260,680 compared to \$200,071,905 for the fiscal year ending June 30, 2018 (tax year 2017). The estimated actual value of all taxable property for tax year 2018 is \$656,028,327 compared to \$656,069,279 for tax year 2017.

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

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, 2018 Amount	Pct
2014	\$211,148,508	\$2.1419	\$4,522,590	\$3,787,960	83.8%	N/A	
2015	196,062,956	2.1419	4,203,924	3,787,822	90.1%	N/A	
2016	202,046,303	2.16	4,355,109	4,066,653	93.4%	N/A	
2017	200,071,905	2.16	4,337,600	4,046,981	93.3%	\$290,619	6.7%
2018	210,260,680	2.0979	4,411,057	IN PROGRESS			

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¹ The tax year coincides with the calendar year; therefore tax year 2018 is actually fiscal year 2018-2019.

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

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

Source: The City.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2018 (tax year 2017), 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	\$ 73,637
2. ATMOS Energy Corp	Utility	68,918
3. Baptist Memorial Hospital.	Hospital	62,187
4. MVP Group	Distribution	57,849
5. Lowes Home Centers, Inc.	Retail	52,398
6. Kohler Company	Manufacturing	47,335
7. Latimer & Searcy	Real Estate	39,696
8. First State Properties, Inc.	Bank	38,297
9. Union City Long Term	Nursing Care	35,372
10. Hallmark Reelfoot LLC	Retail	<u>29,796</u>
TOTAL		<u>\$505,485</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 OF CITY OF UNION CITY, TENNESSEE FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

CITY OF UNION CITY, TENNESSEE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2018

**CITY OF UNION CITY, TENNESSEE
TABLE OF CONTENTS**

Introductory Section

Schedule of Officials	1
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Financial Section

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	13
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Purpose School Fund	26
Proprietary Fund Financial Statements	
Statement of Net Position	35
Statement of Revenues, Expenses and Changes in Fund Net Position	36
Statement of Cash Flows	37
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	39
Statement of Changes in Fiduciary Fund Net Position	40
Notes to Financial Statements	41

INTRODUCTORY SECTION

INTRODUCTORY SECTION

CITY OF UNION CITY, TENNESSEE
SCHEDULE OF OFFICIALS
June 30, 2018

City Council

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

Kathy Dillon, City Manager/CMFO

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union City, Tennessee, as of June 30, 2018, 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 2018 City of Union City adopted new accounting guidance, GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 10 and the pension and other postemployment benefits schedules on pages 76 through 84 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, Water Loss Schedules, and Management's Corrective Action Plan are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of Expenditures of Federal Awards, Schedule of State Assistance, Schedule of 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

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

in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of Expenditures of Federal Awards, Schedule of State Assistance, Schedule of 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, Schedule of Property Tax Rates and Assessments, Water Loss Schedules, and Management's Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019, on our consideration of the City of Union City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Union City's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
April 29, 2019

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, 2018. This discussion focuses on the primary government, as component units are discussed in their own separately-issued reports. Comparative analyses of key elements of total governmental funds and total enterprise funds have been provided.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Union City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$49,636,892 (net position). Of this amount, \$12,381,031 (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 \$7,708,136, a decrease of \$1,447,558 in comparison with the prior year. The fund balance available for spending at the City of Union City's discretion (unassigned fund balance) was \$2,956,750.
- The City transferred the operations of Union City Electric System to the newly-formed Union City Energy Authority effective January 1, 2018. The former Electric System was considered part of the primary government of the City. The Energy Authority is a stand-alone entity and is now reported separately from the City's primary government.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

Both of the government-wide financial statements distinguish functions of the City of Union City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include financial administration,

planning and code enforcement, public safety, street department, recreation, education, school food service, and sanitation. The business-type activities of the City consist of the water and sewer department. Prior to January 1, 2018, the City also reported the Union City Electric System as a business-type activity. Effective January 1, 2018, the Union City Energy Authority was formed to own and operate the electric system. The Union City Energy Authority is reported as a discretely-presented component unit of the City of Union City and, therefore, is presented separately from the primary government in the government-wide statements. More detailed information on Union City Energy Authority can be found in its separately issued audit report. The financial information included within the City's financial statements for the electric system consists of activity from July 1, 2017, through December 31, 2017, only.

Fund Financial Statements

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric System (through December 31, 2017) and the Water and Sewer Department, which were major funds of the City of Union City.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Union City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,636,892 at the close of the most recent fiscal year.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	19,158,180	18,509,129	8,138,101	18,324,761	27,296,281	36,833,890
Capital assets	28,719,479	27,125,218	17,747,126	36,754,445	46,466,605	63,879,663
Total assets	47,877,659	45,634,347	25,885,227	55,079,206	73,762,886	100,713,553
Deferred outflows of resources	2,736,538	3,363,349	269,118	789,094	3,005,656	4,152,443
Long-term liabilities	12,714,524	13,340,341	5,628,701	8,347,486	18,343,225	21,687,827
Other liabilities	2,028,365	582,757	363,411	5,069,967	2,391,776	5,652,724
Total liabilities	14,742,889	13,923,098	5,992,112	13,417,453	20,735,001	27,340,551
Deferred inflows of resources	6,235,804	6,359,517	160,845	207,007	6,396,649	6,566,524
Net position:						
Net investment in capital assets	19,254,937	18,822,372	13,242,063	33,119,853	32,497,000	51,942,225
Restricted	4,642,731	4,070,819	116,130	136,138	4,758,861	4,206,957
Unrestricted	5,737,836	5,821,890	6,643,195	8,987,849	12,381,031	14,809,739
Total net position	29,635,504	28,715,081	20,001,388	42,243,840	49,636,892	70,958,921

The largest portion of the City's net position (65.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Union City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Union City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used

to liquidate these liabilities. A portion of net position (9.6%) is restricted for use by the Drug fund, State Street Aid fund, and Solid Waste fund, and for education and tourism expenditures. Net pension assets of \$422,789 are also restricted. The portion of net position represented by unrestricted net position (24.9%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

Statement of Activities – Expenses in governmental activities exceeded program revenues by \$13,408,108 compared to \$15,837,235 in the prior year. In business-type activities, charges for services exceeded expenses by \$1,073,404 compared to \$1,416,386 last year. General government revenues totaling \$15,394,115 combined with the other business-type income of \$486,112 resulted in a total net income of \$3,545,523 for the current year, which was \$2,931,189 more than the prior year. Net position was reduced by \$23,315,547 during the current year for the transfer of electric operations to Union City Energy Authority.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	2,796,264	2,555,585	17,704,225	29,949,417	20,500,489	32,505,002
Operating grants and contributions	12,393,507	11,146,378			12,393,507	11,146,378
Capital grants and contributions			399,347	17,740	399,347	17,740
General revenues:						
Property taxes	7,217,745	6,841,145			7,217,745	6,841,145
Other taxes	8,052,153	7,963,647			8,052,153	7,963,647
Other sources	124,217	121,566	86,765	91,085	210,982	212,651
Total revenues	30,583,886	28,628,321	18,190,337	30,058,242	48,774,223	58,686,563
Expenses:						
Financial administration	2,065,066	1,994,016			2,065,066	1,994,016
Planning and code	298,010	299,729			298,010	299,729
Public safety	5,031,502	5,081,653			5,031,502	5,081,653
Street department	2,083,917	3,562,773			2,083,917	3,562,773
Recreation	1,276,343	1,273,190			1,276,343	1,273,190
Community development	160,116	144,607			160,116	144,607
Education	14,747,408	14,524,645			14,747,408	14,524,645
School food service	984,933	967,711			984,933	967,711
Sanitation	1,950,584	1,690,874			1,950,584	1,690,874
Water and sewer			4,070,746	4,022,750	4,070,746	4,022,750
Electric			12,560,075	24,510,281	12,560,075	24,510,281
Total expenses	28,597,879	29,539,198	16,630,821	28,533,031	45,228,700	58,072,229
Revenue over expenses	1,986,007	(910,877)	1,559,516	1,525,211	3,545,523	614,334
Special item			(23,315,547)		(23,315,547)	
Transfers	279,888	578,272	(279,888)	(578,272)		
Change in net position	2,265,895	(332,605)	(22,035,919)	946,939	(19,770,024)	614,334
Net position - beginning	28,715,081	29,047,686	42,243,840	41,296,901	70,958,921	70,344,587
Restatement	(1,345,472)		(206,533)		(1,552,005)	
Net position - ending	29,635,504	28,715,081	20,001,388	42,243,840	49,636,892	70,958,921

Governmental revenues increased by \$1.96 million, while governmental expenditures decreased by \$941 thousand. Street expenditures decreased by \$1.5 million due to over \$2 million in capital outlay expenditures made in the prior year. Water and sewer revenue remained steady and expenditures increased by \$100 thousand, mainly in sewer expenses. The Water and Sewer Fund also received a capital grant during the current year for sewer improvements. The largest change in business-type activities was the transfer of the electric system operations from the City to the Union City Energy Authority, reported as a special item immediately following net income. The revenue and expenses reported only include six months of electric operations ended December 31, 2017.

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 42% of governmental fund revenues and the General Purpose School Fund accounts for an additional 42%. 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 \$7,708,136 at the end of the current fiscal year, which was a decrease of \$1,447,558 from the prior year. Revenues exceeded expenditures by \$52,642 but other financing sources and uses decreased net position by \$1,500,200. There was \$2,956,750 available to meet the day-to-day needs of the City, which increased \$351,384 from the prior year.

Revenues in the General Fund increased by \$987,617 from the prior year. All major categories of revenues increased except for charges for services, which had a slight decrease. Intergovernmental revenue increased 30% due to grant funds received. Interest income increased due to increased investments of cash. Building permits increased significantly, as well as city court fines. Expenditures remained steady from the prior year; however, current expenditures decreased and capital outlay expenditures increased by \$913 thousand.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the proprietary funds was \$20,001,388 with unrestricted net position making up \$6,643,195 of that total, all attributable to the Water and Sewer Fund. Water and sewer revenue remained steady, while capital grant funds of \$399,347 were received. The electric system operations were transferred to the newly-formed Union City Energy Authority effective January 1, 2018. The Energy Authority is presented as a component unit of the City, and its operations from January 1, 2018 through June 30, 2018, are reported separately from the City's operations. See their separately issued report for a discussion of their current year operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$412,538 more than final budgeted amounts in the General fund, with the largest variation in local taxes, which was \$940,989 over budgeted amounts. Local sales tax was \$909,226 over budget, and both gross receipts taxes and natural gas franchise taxes were approximately \$35 thousand over budget. Property tax revenue was \$47 thousand under budget. Federal and state grants were significantly under budget, with \$1.3 million budgeted and only \$715 thousand received. Total expenditures were under budget by \$1.8 million in the current year. The following expenditure variations occurred for the year ended June 30, 2018:

- The Parks department was \$549 thousand under budget on capital improvements.
- The Street department was \$728 thousand under budget on capital outlay.
- The Fire department had FEMA expenditures of \$170 thousand over budget.
- The Police department was \$478 thousand under budget, mainly in highway safety expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – At June 30, 2018, the City had invested \$46,466,605 net of accumulated depreciation in a variety of capital assets and infrastructure. The large decrease of \$17,413,058 is mainly attributable to the transfer of electric system assets to the Energy Authority. Additional information on the City's capital assets can be found in Note 4D of the Notes to Financial Statements.

Long-term debt – At the end of the current fiscal year, the City had long-term debt outstanding of \$16,430,244. The entire amount comprises debt backed by the full faith and credit of the City of Union City. Additional information on the City's long-term debt can be found in Note 4E of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Labor Force estimates for June 30, 2018, indicate the unemployment rate for Obion County is 5.7%, Union City is 5.7%, the State's average unemployment rate is 4.1% and the national average unemployment rate is 4.2%. The cost of operating the City is anticipated to increase in 2018/2019 and the adopted budget for next year reflects these increases.

REQUESTS FOR INFORMATION

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION

June 30, 2018

	Primary government			Component unit
	Governmental Activities	Business-Type Activities	Total	Union City Energy Authority
Assets				
Cash	\$ 6,768,689	\$ 5,428,271	\$ 12,196,960	\$ 6,370,123
Investments	2,004,755	2,004,755	4,009,510	-
Property taxes receivable (net of allowance for uncollectible accounts)	4,386,800	-	4,386,800	-
Accounts receivable (net of allowance for uncollectible accounts)	86,572	716,987	803,559	2,183,320
Sales tax receivable	1,131,599	-	1,131,599	-
Other taxes receivable	381,260	-	381,260	-
Other receivables	500,657	56,366	557,023	263,191
Internal balances	1,586,029	(1,586,029)	-	-
Due from grantors	160,898	-	160,898	-
Inventories	46,263	188,578	234,841	663,897
Prepayments	-	-	-	292,148
Restricted assets:				
Invested funds	1,681,869	1,213,043	2,894,912	-
Capital assets, not being depreciated:				
Land	3,607,011	41,628	3,648,639	127,678
Property held for future use	-	-	-	100,009
Construction in progress	2,206,184	-	2,206,184	171,206
Capital assets, being depreciated, net:				
Buildings	16,432,125	-	16,432,125	-
Infrastructure	3,327,966	-	3,327,966	-
Improvements other than buildings	1,297,812	-	1,297,812	-
Vehicles and equipment	1,848,381	-	1,848,381	-
Utility plant in service	-	17,705,498	17,705,498	18,685,388
Net pension asset	422,789	116,130	538,919	-
Other assets	-	-	-	1,339,112
Total assets	47,877,659	25,885,227	73,762,886	30,196,072
Deferred Outflows of Resources				
Deferred outflows related to pensions	2,672,596	268,388	2,940,984	484,911
Deferred outflows related to postemployment benefits	63,942	730	64,672	-
Total deferred outflows of resources	2,736,538	269,118	3,005,656	484,911

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2018

	Primary government			Component unit
	Governmental Activities	Business-Type Activities	Total	Union City Energy Authority
Liabilities				
Accounts payable	\$ 1,426,563	\$ -	\$ 1,426,563	\$ 4,043,128
Accrued payroll	209,593	46,403	255,996	15,567
Accrued vacation pay	345,277	32,251	377,528	118,675
Retainage payable	-	75,191	75,191	-
Other payables	46,932	30,455	77,387	65,543
Customer deposits	-	179,111	179,111	575,945
Noncurrent liabilities:				
Due within one year	907,000	360,720	1,267,720	222,228
Due in more than one year	10,122,003	5,229,101	15,351,104	1,277,667
Net pension liability	269,457	-	269,457	337,764
Other postemployment benefits liability	1,416,064	38,880	1,454,944	372,365
Other liabilities	-	-	-	133,752
Total liabilities	<u>14,742,889</u>	<u>5,992,112</u>	<u>20,735,001</u>	<u>7,162,634</u>
Deferred Inflows of Resources				
Deferred revenue - property taxes	4,386,180	-	4,386,180	-
Deferred inflows related to pensions	1,786,232	159,136	1,945,368	32,680
Deferred inflows related to postemployment benefits	63,392	1,709	65,101	-
Total deferred inflows of resources	<u>6,235,804</u>	<u>160,845</u>	<u>6,396,649</u>	<u>32,680</u>
Net Position				
Net investment in capital assets	19,254,937	13,242,063	32,497,000	19,084,281
Restricted	4,642,731	116,130	4,758,861	-
Unrestricted	5,737,836	6,643,195	12,381,031	4,401,388
Total net position	<u>\$ 29,635,504</u>	<u>\$ 20,001,388</u>	<u>\$ 49,636,892</u>	<u>\$ 23,485,669</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	To (From) Net Position
Primary government:							
Governmental activities:							
Financial administration	\$ 2,065,066	\$ 194,282	\$ 125,000	\$ -	\$ (1,745,784)	\$ -	\$ (1,745,784)
Planning and code enforcement	298,010	43,655	-	-	(254,355)	-	(254,355)
Public safety	5,031,502	242,819	237,599	-	(4,551,084)	-	(4,551,084)
Highways and streets	2,083,917	289,357	398,492	-	(1,396,068)	-	(1,396,068)
Recreation	1,276,343	-	517,429	-	(758,914)	-	(758,914)
Community development	160,116	-	50,000	-	(110,116)	-	(110,116)
Education	14,747,408	-	10,237,799	-	(4,509,609)	-	(4,509,609)
School food service	984,933	205,460	827,188	-	47,715	-	47,715
Sanitation	1,950,584	1,820,691	-	-	(129,893)	-	(129,893)
Total governmental activities	28,597,879	2,796,264	12,393,507	-	(13,408,108)	-	(13,408,108)
Business-type activities:							
Water and sewer	4,070,746	4,629,483	-	399,347	-	958,084	958,084
Electric	12,560,075	13,074,742	-	-	-	514,667	514,667
Total business-type activities	16,630,821	17,704,225	-	399,347	-	1,472,751	1,472,751
Total primary government	\$45,228,700	\$ 20,500,489	\$ 12,393,507	\$ 399,347	(13,408,108)	1,472,751	(11,935,357)
Component unit:							
Union City Energy Authority	\$12,397,016	\$ 12,515,368	\$ -	\$ -	-	-	-
General Revenues:							
Property taxes					7,217,745	-	7,217,745
Sales tax					6,524,691	-	6,524,691
Other taxes					1,527,462	-	1,527,462
Interest					67,867	86,765	154,632
Sale of supplies					40,817	-	40,817
Miscellaneous					15,533	-	15,533
Special item - transfer of operations					-	(23,315,547)	(23,315,547)
Transfers					279,888	(279,888)	-
Total general revenues, special items and transfers					15,674,003	(23,508,670)	(7,834,667)
Change in net position					2,265,895	(22,035,919)	(19,770,024)
Net position - beginning					28,715,081	42,243,840	70,958,921
Restatement for adoption of OPEB standards					(1,345,472)	(206,533)	(1,552,005)
Net position - beginning, restated					27,369,609	42,037,307	69,406,916
Net position - ending					\$ 29,635,504	\$ 20,001,388	\$ 49,636,892

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

CITY OF UNION CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 2,809,655	\$ 2,199,745	\$ 1,759,289	\$ 6,768,689
Investments	2,004,755	-	-	2,004,755
Property taxes receivable (net)	4,386,800	-	-	4,386,800
Accounts receivable (net)	-	6,238	80,334	86,572
Sales tax receivable	847,153	284,446	-	1,131,599
Other taxes receivable	381,260	-	-	381,260
Other receivables	225,941	274,716	-	500,657
Due from other funds	1,270,268	-	483,236	1,753,504
Due from grantors	114,728	-	46,170	160,898
Inventories	1,889	-	44,374	46,263
Restricted cash	1,681,869	-	-	1,681,869
Total assets	<u>\$13,724,318</u>	<u>\$ 2,765,145</u>	<u>\$ 2,413,403</u>	<u>\$ 18,902,866</u>
Liabilities				
Accounts payable	\$ 1,012,784	\$ 33,151	\$ 380,628	\$ 1,426,563
Accrued payroll	194,279	-	15,314	209,593
Accrued vacation pay	345,277	-	-	345,277
Due to other funds	-	-	167,475	167,475
Other payables	9,325	37,607	-	46,932
Unearned revenue	-	2,921	-	2,921
Total liabilities	<u>1,561,665</u>	<u>73,679</u>	<u>563,417</u>	<u>2,198,761</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	4,386,180	-	-	4,386,180
Unavailable revenue - intergovernmental taxes	68,337	-	-	68,337
Total deferred inflows of resources	<u>4,454,517</u>	<u>-</u>	<u>-</u>	<u>4,454,517</u>
Fund Balances				
Nonspendable - inventories	1,889	-	44,374	46,263
Nonspendable - long-term note receivable	10,000	-	-	10,000
Restricted	1,548,208	2,691,466	1,484,102	5,723,776
Committed	141,646	-	321,510	463,156
Assigned	3,049,643	-	-	3,049,643
Unassigned	2,956,750	-	-	2,956,750
Total fund balances	<u>7,708,136</u>	<u>2,691,466</u>	<u>1,849,986</u>	<u>12,249,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$13,724,318</u>	<u>\$ 2,765,145</u>	<u>\$ 2,413,403</u>	<u>\$ 18,902,866</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, 2018

Total fund balances of governmental funds	\$ 12,249,588
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,719,479
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Taxes receivable that are not available to pay for current period expenditures are deferred in governmental funds.	71,258
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Recognition of pension and OPEB expense on the accrual basis includes recognition of pension and OPEB liabilities and assets, as well as related deferred outflows and deferred inflows of resources, in the government-wide statements.	(375,818)
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Long-term debt is not due and payable in the current period and, therefore, is not reported in governmental funds.	<u>(11,029,003)</u>
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Net position of governmental activities	<u>\$ 29,635,504</u>
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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, 2018

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local taxes	\$ 9,601,689	\$ 4,003,536	\$ 162,504	\$ 13,767,729
Licenses and permits	209,999	-	-	209,999
Intergovernmental revenue	2,132,301	8,666,360	2,360,238	13,158,899
Fines, forfeitures and penalties	102,709	-	310,742	413,451
Charges for services	134,897	-	1,820,691	1,955,588
Interest	56,015	10,581	1,271	67,867
Local food service revenue	-	-	205,460	205,460
Other revenue	522,162	223,672	75,747	821,581
Total revenues	12,759,772	12,904,149	4,936,653	30,600,574
Expenditures				
Current:				
Financial administration	1,793,415	-	8,080	1,801,495
Planning and code enforcement	295,109	-	-	295,109
Public safety	4,905,349	-	103	4,905,452
Highways and streets	1,393,674	-	508,126	1,901,800
Recreation	1,152,770	-	-	1,152,770
Community development	5,692	-	154,424	160,116
Education	83,945	13,271,887	1,243,173	14,599,005
School food service	-	-	982,937	982,937
Sanitation	-	-	1,934,812	1,934,812
Debt service:				
Principal	452,000	435,000	-	887,000
Interest	222,896	132,588	-	355,484
Capital outlay:				
Financial administration	96,938	-	-	96,938
Public safety	624,189	-	-	624,189
Highways and streets	8,500	-	-	8,500
Recreation	1,672,653	-	-	1,672,653
Education	-	302,998	-	302,998
School food service	-	-	8,307	8,307
Total expenditures	12,707,130	14,142,473	4,839,962	31,689,565
Revenues over (under) expenditures	52,642	(1,238,324)	96,691	(1,088,991)
Other financing sources (uses)				
Transfers in	279,888	1,780,088	-	2,059,976
Transfers out	(1,780,088)	-	-	(1,780,088)
Net change in fund balances	(1,447,558)	541,764	96,691	(809,103)
Fund balances - July 1, 2017	9,155,694	2,149,702	1,755,291	13,060,687
Change in inventory - purchases method	-	-	(1,996)	(1,996)
Fund balances - June 30, 2018	\$ 7,708,136	\$ 2,691,466	\$ 1,849,986	\$ 12,249,588

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, 2018

Net change in fund balances of governmental funds	\$ (809,103)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,594,261
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.	(16,688)
The repayment of long-term debt consumes financial resources at the governmental fund level but is applied directly against the outstanding debt balance at the government-wide level. This is the amount of principal repayments made during the current year.	887,000
Pension contributions are reported as expenditures in the governmental funds. However, pension and OPEB expense in the statement of activities is primarily the result of changes in the components of the pension and OPEB liabilities over the current and future periods.	594,047
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>16,378</u>
Change in net position of governmental activities	<u>\$ 2,265,895</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local taxes				
Property taxes	\$ 4,430,000	\$ 4,430,000	\$ 4,382,890	\$ (47,110)
Property tax interest and penalties	60,000	60,000	65,467	5,467
In lieu of property taxes - UC Energy Authority	285,000	285,000	279,889	(5,111)
Local sales tax	3,000,000	3,000,000	3,909,226	909,226
Wholesale beer tax	330,000	330,000	337,646	7,646
Gross receipts tax	280,000	280,000	314,573	34,573
Mixed drink tax	5,700	5,700	7,300	1,600
Cable TV franchise tax	140,000	140,000	139,037	(963)
Natural gas franchise tax	130,000	130,000	165,661	35,661
Total local taxes	<u>8,660,700</u>	<u>8,660,700</u>	<u>9,601,689</u>	<u>940,989</u>
Licenses and permits				
Automobile registration	160,000	160,000	162,641	2,641
Privilege licenses	1,200	1,200	1,140	(60)
Animal registrations	300	300	148	(152)
Natural gas permits	300	300	878	578
Storm and construction plan reviews	5,000	5,000	525	(4,475)
Solicitation permits	500	500	150	(350)
Building permits	20,000	20,000	43,130	23,130
Plumbing permits	300	300	1,387	1,087
Total licenses and permits	<u>187,600</u>	<u>187,600</u>	<u>209,999</u>	<u>22,399</u>
Intergovernmental revenues				
Housing Authority - in lieu of tax	33,880	33,880	33,880	-
State sales tax	875,958	875,958	944,556	68,598
State income tax	160,000	160,000	136,621	(23,379)
State beer tax	5,447	5,447	5,083	(364)
Alcoholic beverage tax	40,000	40,000	49,029	9,029
Petroleum special tax	22,335	22,335	21,920	(415)
Corporate excise tax	80,000	80,000	63,349	(16,651)
Federal and state grants	1,084,765	1,264,565	715,165	(549,400)
State police and fire supplements	40,400	40,400	39,000	(1,400)
Other state revenue allocations	123,114	123,114	123,698	584
Total intergovernmental revenues	<u>2,465,899</u>	<u>2,645,699</u>	<u>2,132,301</u>	<u>(513,398)</u>
Charges for services				
Fees and commissions	6,000	6,000	6,007	7
Rural fire service	122,000	122,000	118,725	(3,275)
Stormwater assessments	179,550	179,550	-	(179,550)
Auditorium charges	3,000	3,000	1,700	(1,300)
Administrative services	6,000	6,000	8,080	2,080
Other general government charges	2,400	2,400	385	(2,015)
Total charges for services	<u>318,950</u>	<u>318,950</u>	<u>134,897</u>	<u>(184,053)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Fines, forfeitures, and penalties				
City court fines and costs	60,000	60,000	83,056	23,056
False alarm fees	200	200	225	25
Dog impoundment charges	7,000	7,000	8,134	1,134
Fines and penalties - drugs	6,000	6,000	10,139	4,139
Forfeitures	-	-	1,155	1,155
Total fines, forfeitures, and penalties	<u>73,200</u>	<u>73,200</u>	<u>102,709</u>	<u>29,509</u>
Interest	<u>10,400</u>	<u>10,400</u>	<u>56,015</u>	<u>45,615</u>
Other revenues				
Contributions	288,816	288,816	291,405	2,589
Rent	127,869	127,869	167,610	39,741
Sale of land and equipment	3,000	3,000	10,200	7,200
Sale of cemetery lots	5,000	5,000	10,500	5,500
Sale of supplies	20,000	20,000	40,817	20,817
Insurance recoveries	-	-	1,630	1,630
Miscellaneous revenue	6,000	6,000	-	(6,000)
Total other revenues	<u>450,685</u>	<u>450,685</u>	<u>522,162</u>	<u>71,477</u>
Total revenues	<u>12,167,434</u>	<u>12,347,234</u>	<u>12,759,772</u>	<u>412,538</u>
EXPENDITURES				
Financial administration				
Salaries	201,216	201,216	190,945	(10,271)
Payroll taxes	15,394	15,394	14,311	(1,083)
Hospitalization insurance	22,570	22,570	11,700	(10,870)
Retirement costs	5,808	5,808	5,198	(610)
Workmen's compensation	1,408	1,408	131	(1,277)
Unemployment	-	-	312	312
Communication	900	900	-	(900)
Postage and box rent	150	150	120	(30)
Publications	4,000	4,000	(29)	(4,029)
Memberships and registrations	5,500	5,500	4,625	(875)
Public relations	5,000	5,000	-	(5,000)
Utilities	409,900	409,900	416,658	6,758
Telephone and internet	2,000	2,000	1,630	(370)
Legal services	10,000	10,000	19,418	9,418
Auditing services	12,800	12,800	12,970	170
Data processing and computer maintenance	150,000	150,000	75,934	(74,066)
Repair - equipment	5,000	5,000	908	(4,092)
Repair - traffic signals	17,000	17,000	16,379	(621)

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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Repair - buildings	50,000	131,335	76,161	(55,174)
Repair - other	25,000	65,000	42,179	(22,821)
Travel expense	1,500	1,500	1,547	47
Office supplies and materials	11,000	11,000	8,727	(2,273)
Electrical supplies	5,000	5,000	-	(5,000)
Other supplies	5,000	5,000	6,717	1,717
Gas, oil, diesel fuel and grease	-	-	29	29
Insurance on buildings	46,000	46,000	43,244	(2,756)
Liability insurance	82,000	82,000	70,700	(11,300)
Bank service charges	2,000	2,000	2,939	939
Payments in lieu of tax	10,000	10,000	3,827	(6,173)
Retirement of bonds and notes	432,000	432,000	452,000	20,000
Interest and fees on bonds and notes	213,265	213,265	222,896	9,631
Grants and contributions	484,047	556,709	489,838	(66,871)
Capital outlay - equipment	5,000	5,000	1,750	(3,250)
Capital outlay - site prep	464,755	-	371,485	371,485
Total financial administration	<u>2,705,213</u>	<u>2,434,455</u>	<u>2,565,249</u>	<u>130,794</u>
Planning and code enforcement				
Salaries	174,616	174,616	175,687	1,071
Payroll taxes	13,358	13,358	12,932	(426)
Hospitalization insurance	22,295	22,295	22,424	129
Retirement costs	6,443	6,443	6,363	(80)
Workmen's compensation	11,143	11,143	856	(10,287)
Communication	900	900	-	(900)
Postage and box rent	3,000	3,000	104	(2,896)
Memberships and registrations	1,000	1,000	381	(619)
Telephone and telegraph	2,000	2,000	477	(1,523)
Professional services	25,000	25,000	8,871	(16,129)
Computer maintenance	10,000	10,000	10,034	34
Planning assistance	11,250	11,250	11,365	115
Vehicle repairs	1,000	1,000	45	(955)
Repair and maintenance - slum clearance	75,000	75,000	24,265	(50,735)
Stormwater permit fee	6,000	6,000	3,460	(2,540)
Travel expense	3,000	3,000	1,892	(1,108)
Office supplies and materials	2,500	2,500	4,585	2,085
Clothing and uniforms	700	700	641	(59)
Educational supplies	3,000	3,000	495	(2,505)
Operating supplies	5,000	5,000	3,373	(1,627)
Gas, oil, diesel fuel and grease	1,500	1,500	1,344	(156)
Transportation planning grant	135,000	135,000	-	(135,000)
Capital outlay - other equipment	8,300	8,300	5,515	(2,785)
Total planning and code enforcement	<u>522,005</u>	<u>522,005</u>	<u>295,109</u>	<u>(226,896)</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, 2018

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Police department				
Salaries	2,014,808	2,014,808	2,000,771	(14,037)
Salary supplement	20,400	20,400	19,800	(600)
Payroll taxes	149,580	149,580	149,086	(494)
Hospitalization insurance	234,092	234,092	222,186	(11,906)
Retirement costs	71,865	71,865	70,240	(1,625)
Workmen's compensation	132,299	132,299	11,317	(120,982)
Unemployment	2,000	2,000	1,080	(920)
Communications	900	900	-	(900)
Postage and box rent	800	800	698	(102)
TV and radio services	8,000	8,000	2,734	(5,266)
Radio communication and transmission	5,000	5,000	4,370	(630)
Membership and registration fees	5,000	5,000	5,130	130
Public relations	2,000	2,000	2,698	698
Utilities	26,000	26,000	22,453	(3,547)
Telephone	5,000	5,000	6,216	1,216
Computer maintenance	-	34,000	56,181	22,181
Police professional services	40,000	40,000	18,684	(21,316)
Vehicle repair	30,000	35,000	35,591	591
Building repair	500,000	610,000	504,968	(105,032)
Other repair	10,000	10,000	9,531	(469)
Travel expense	6,000	6,000	4,232	(1,768)
Boarding prisoners	-	-	131	131
Office supplies and materials	8,000	8,000	8,452	452
Clothing and uniforms	12,000	12,000	3,164	(8,836)
Educational supplies	5,000	5,000	6,495	1,495
Operating supplies	5,000	5,000	4,746	(254)
Gas, oil, diesel fuel, and grease	60,000	60,000	56,449	(3,551)
Highway safety expense	35,000	213,811	-	(213,811)
Capital outlay - equipment	15,000	15,000	26,368	11,368
Total police department	<u>3,403,744</u>	<u>3,731,555</u>	<u>3,253,771</u>	<u>(477,784)</u>
Animal control				
Salaries	67,832	67,832	55,005	(12,827)
Payroll taxes	5,036	5,036	4,149	(887)
Hospitalization insurance	11,147	11,147	4,634	(6,513)
Retirement costs	2,429	2,429	2,003	(426)
Workers' compensation and unemployment	4,774	4,774	270	(4,504)
Membership fees and education	250	250	-	(250)
Utilities	10,500	10,500	9,692	(808)
Telephone	1,000	1,000	510	(490)
Repair and maintenance	4,000	4,000	1,838	(2,162)
Boarding animals	6,000	6,000	7,397	1,397

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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Office supplies and materials	500	500	226	(274)
Clothing and uniforms	1,000	1,000	354	(646)
Education	1,000	1,000	-	(1,000)
Operating supplies	2,000	2,000	832	(1,168)
Gas, oil, diesel fuel, and grease	2,000	2,000	2,453	453
Capital outlay - equipment	2,000	2,000	-	(2,000)
Total animal control	<u>121,468</u>	<u>121,468</u>	<u>89,363</u>	<u>(32,105)</u>
Fire department				
Salaries	1,537,867	1,537,867	1,461,090	(76,777)
Salary supplement	20,000	20,000	19,200	(800)
Payroll taxes	108,086	108,086	109,453	1,367
Hospitalization insurance	167,209	167,209	162,115	(5,094)
Retirement costs	52,134	52,134	50,925	(1,209)
Workmen's compensation	73,146	73,146	8,141	(65,005)
Communications	900	900	-	(900)
Postage and box rent	1,500	1,500	2,351	851
TV and radio services	3,000	3,000	1,625	(1,375)
Memberships, registrations	250	250	529	279
Public relations	250	250	472	222
Utilities	36,000	36,000	37,055	1,055
Telephone	6,500	6,500	4,223	(2,277)
Legal	-	-	224	224
Computer maintenance	4,000	4,000	5,893	1,893
Vehicle repair	28,000	28,000	36,638	8,638
Building repair	4,000	4,000	8,169	4,169
Other repair	14,000	14,000	2,576	(11,424)
Computer equipment	5,500	5,500	2,810	(2,690)
Travel expense	1,000	1,000	977	(23)
Office supplies and materials	3,500	3,500	4,128	628
Janitorial supplies	5,000	5,000	5,095	95
Clothing and uniforms	5,000	5,000	5,344	344
Educational supplies	1,500	1,500	1,409	(91)
Operating supplies	12,000	12,000	12,783	783
Gas, oil, diesel fuel, and grease	12,500	12,500	13,715	1,215
Emergency medical service	10,000	10,000	6,819	(3,181)
Capital outlay - transportation equipment	31,000	31,000	6,093	(24,907)
Capital outlay - equipment	20,000	20,000	13,203	(6,797)
FEMA grant expenses	9,550	9,550	179,549	169,999
Total fire department	<u>2,173,392</u>	<u>2,173,392</u>	<u>2,162,604</u>	<u>(10,788)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Storm water				
Postage	-	-	68	68
Memberships and fees	-	-	1,065	1,065
Legal services	-	-	4,476	4,476
Engineering	-	-	15,069	15,069
Travel	-	-	447	447
Public outreach	-	-	2,398	2,398
Educational supplies	-	-	277	277
Total storm water	-	-	23,800	23,800
Street department				
Salaries	380,959	380,959	350,677	(30,282)
Temporary employees	50,000	50,000	83,531	33,531
Payroll taxes	28,380	28,380	26,427	(1,953)
Hospitalization insurance	50,414	50,414	34,256	(16,158)
Retirement costs	13,689	13,689	12,779	(910)
Workmen's compensation	36,536	36,536	2,705	(33,831)
Communications	900	900	-	(900)
Radio services	200	200	-	(200)
Memberships, registrations	300	300	100	(200)
Utilities	13,500	13,500	13,680	180
Telephone	1,500	1,500	2,441	941
Legal	-	2,500	2,300	(200)
Architectural, engineering	2,000	2,000	1,200	(800)
Computer maintenance	10,000	10,000	10,068	68
Vehicle repair	40,000	40,000	30,179	(9,821)
Machinery repair	5,000	5,000	3,355	(1,645)
Building repair	2,500	2,500	2,101	(399)
Road repair	90,000	90,000	85,897	(4,103)
Other repairs	54,684	54,684	58,119	3,435
Travel expense	300	300	27	(273)
Machinery rental	52,700	52,700	55,507	2,807
Office supplies and materials	500	500	241	(259)
Operating supplies	10,000	10,000	14,221	4,221
Gas, oil, diesel fuel, and grease	30,000	30,000	30,190	190
Consumable tools	7,500	7,500	5,164	(2,336)
Sign parts and supplies	15,000	15,000	6,957	(8,043)
Capital outlay - roads, streets	218,500	218,500	22,337	(196,163)
Capital outlay - building improvements	450,000	450,000	2,430	(447,570)
Capital outlay - other improvements	400,000	616,874	534,785	(82,089)
Capital outlay - machinery and equipment	13,000	13,000	10,500	(2,500)
Total street department	1,978,062	2,197,436	1,402,174	(795,262)

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, 2018

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Turf management				
Salaries	184,756	184,756	214,680	29,924
Payroll taxes	13,751	13,751	16,109	2,358
Hospitalization insurance	11,147	11,147	11,005	(142)
Retirement costs	4,419	4,419	4,414	(5)
Workmen's compensation	10,623	10,623	1,091	(9,532)
Communications	900	900	-	(900)
Postage and box rent	20	20	24	4
Membership, education	1,800	1,800	1,980	180
Utilities	9,000	9,000	7,623	(1,377)
Telephone	4,500	4,500	4,442	(58)
Computer maintenance	1,800	1,800	17	(1,783)
Vehicle repairs	10,000	10,000	7,452	(2,548)
Grounds repair and maintenance	60,000	60,000	67,447	7,447
Repair and maintenance - facility	20,000	20,000	21,557	1,557
Other repair and maintenance	5,000	5,000	4,799	(201)
Travel	1,000	1,000	454	(546)
Office supplies	3,000	3,000	2,577	(423)
Agriculture/horticulture	15,000	15,000	5,273	(9,727)
Janitorial supplies	2,500	2,500	2,913	413
Clothing and uniforms	2,000	2,000	1,999	(1)
Operating supplies	9,000	9,000	12,054	3,054
Machinery and equipment rental	20,000	20,000	17,610	(2,390)
Gas, oil, diesel fuel, and grease	8,000	8,000	6,436	(1,564)
Consumable tools	3,000	3,000	3,185	185
Capital outlay - improvements	1,105,900	1,105,900	1,217,700	111,800
Total turf management	1,507,116	1,507,116	1,632,841	125,725
Park administration				
Salaries	257,809	257,809	261,053	3,244
Temporary employees	185,000	185,000	132,335	(52,665)
Payroll taxes	19,341	19,341	19,628	287
Hospitalization insurance	39,015	39,015	38,341	(674)
Retirement costs	9,328	9,328	9,518	190
Workmen's compensation	12,896	12,896	905	(11,991)
Unemployment	2,000	2,000	-	(2,000)
Communications	900	900	-	(900)
Postage and box rent	300	300	36	(264)
TV and radio services	500	500	-	(500)
Utilities	86,500	86,500	85,825	(675)
Telephone	2,500	2,500	2,563	63
Legal	500	500	1,727	1,227
Computer maintenance contract	-	-	26	26
Vehicle repairs	3,000	3,000	3,206	206

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, 2018

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Ground repair	50,000	50,000	85,370	35,370
Other repair	3,000	3,000	1,348	(1,652)
Agriculture and horticulture	3,000	3,000	1,637	(1,363)
Recreation supplies	10,000	10,000	14,532	4,532
Operating supplies	13,000	13,000	8,108	(4,892)
Gas, oil, diesel fuel, and grease	20,000	20,000	18,289	(1,711)
Consumable tools	10,000	10,000	9,520	(480)
Grants and donations to others	1,500	1,500	-	(1,500)
Capital outlay - improvements	1,020,000	1,020,000	481,440	(538,560)
Capital outlay - machinery and equipment	28,000	28,000	17,175	(10,825)
Total park administration	<u>1,778,089</u>	<u>1,778,089</u>	<u>1,192,582</u>	<u>(585,507)</u>
City Beautiful				
Improvements	<u>-</u>	<u>5,500</u>	<u>5,692</u>	<u>192</u>
Education				
Building insurance	<u>80,000</u>	<u>80,000</u>	<u>83,945</u>	<u>3,945</u>
Total expenditures	<u>14,269,089</u>	<u>14,551,016</u>	<u>12,707,130</u>	<u>(1,843,886)</u>
Revenues over (under) expenditures	<u>(2,101,655)</u>	<u>(2,203,782)</u>	<u>52,642</u>	<u>2,256,424</u>
Other financing sources (uses)				
Transfers in	285,000	285,000	279,888	(5,112)
Transfers out	(1,212,500)	(1,212,500)	(1,212,500)	-
Debt service on school assets	<u>(567,588)</u>	<u>(567,588)</u>	<u>(567,588)</u>	<u>-</u>
Net change in fund balance	<u>(3,596,743)</u>	<u>(3,698,870)</u>	<u>(1,447,558)</u>	<u>2,251,312</u>
Fund balance - July 1, 2017	<u>9,155,694</u>	<u>9,155,694</u>	<u>9,155,694</u>	<u>-</u>
Fund balance - June 30, 2018	<u>\$ 5,558,951</u>	<u>\$ 5,456,824</u>	<u>\$ 7,708,136</u>	<u>\$ 2,251,312</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
REVENUES				
County tax revenues				
Property tax - current year	\$ 2,074,000	\$ 2,074,000	\$ 2,134,884	\$ 60,884
Property tax - prior years trustee	48,000	48,000	70,447	22,447
Property tax - prior years others	28,000	28,000	28,900	900
Payments in lieu of taxes	12,000	12,000	19,194	7,194
Bank excise taxes	10,000	10,000	18,956	8,956
Interest and penalty on delinquent taxes	6,500	6,500	18,578	12,078
Business tax, licenses, fines and fees	30,200	30,200	40,962	10,762
Total county tax revenues	<u>2,208,700</u>	<u>2,208,700</u>	<u>2,331,921</u>	<u>123,221</u>
Local option sales tax	<u>1,635,000</u>	<u>1,635,000</u>	<u>1,671,615</u>	<u>36,615</u>
State funds for operations				
Basic education program	8,103,000	8,180,000	8,220,000	40,000
Early childhood education	190,035	197,195	197,195	-
Career ladder program	41,206	41,206	34,802	(6,404)
Mixed drink tax	654	654	855	201
Other state funds	144,210	144,300	148,533	4,233
Total state funds for operations	<u>8,479,105</u>	<u>8,563,355</u>	<u>8,601,385</u>	<u>38,030</u>
Federal funds				
Public law 874	<u>1,000</u>	<u>1,000</u>	<u>2,467</u>	<u>1,467</u>
Interest earned on investments	<u>7,000</u>	<u>7,000</u>	<u>10,581</u>	<u>3,581</u>
Local revenue				
Receipts from individuals	5,000	5,000	4,553	(447)
Community service fees	54,979	55,779	63,207	7,428
Insurance recovery	-	8,214	8,214	-
Other local revenues	110,423	149,035	147,698	(1,337)
Total local revenue	<u>170,402</u>	<u>218,028</u>	<u>223,672</u>	<u>5,644</u>
Total revenues	<u>12,501,207</u>	<u>12,633,083</u>	<u>12,841,641</u>	<u>208,558</u>
EXPENDITURES				
Instruction				
Regular instruction:				
Teachers	4,668,429	4,668,429	4,472,463	(195,966)
Career ladder program	21,300	21,300	20,600	(700)
Homebound teachers	4,000	4,000	1,735	(2,265)
Educational assistants	269,388	269,388	237,501	(31,887)
Other salaries and wages	15,800	13,800	10,700	(3,100)
Substitute teachers	40,160	40,160	39,980	(180)
Noncertified substitute teachers	15,150	15,150	8,475	(6,675)
Social security	312,124	312,000	278,997	(33,003)
State retirement	451,468	451,286	422,846	(28,440)
Life insurance	3,564	3,564	3,357	(207)

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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Medical insurance	1,256,414	1,256,414	1,091,125	(165,289)
Unemployment compensation	10,000	10,000	-	(10,000)
Medicare	72,998	72,969	65,249	(7,720)
Maintenance and repairs	8,646	8,646	3,999	(4,647)
Other contracted services	25,500	37,878	34,868	(3,010)
Food supplies	1,453	1,546	761	(785)
Instructional supplies and materials	98,774	97,514	68,176	(29,338)
Textbooks	95,000	95,000	93,443	(1,557)
Refunds	5,500	5,500	4,951	(549)
Other charges	26,550	26,550	15,721	(10,829)
Regular instruction equipment	54,700	54,700	36,089	(18,611)
Total regular education	<u>7,456,918</u>	<u>7,465,794</u>	<u>6,911,036</u>	<u>(554,758)</u>
Special education:				
Teachers	335,350	335,350	335,158	(192)
Career ladder program	1,000	1,000	1,000	-
Homebound teachers	3,000	3,000	-	(3,000)
Aides	15,498	15,498	15,343	(155)
Speech pathologist	54,170	54,170	54,170	-
Other salaries and wages	1,000	1,000	-	(1,000)
Substitute teachers	4,500	4,500	40	(4,460)
Noncertified substitute teachers	1,200	1,200	-	(1,200)
Social security	25,775	25,775	24,010	(1,765)
State retirement	37,194	37,194	36,731	(463)
Life insurance	292	292	292	-
Medical insurance	58,426	72,248	72,247	(1)
Medicare	6,028	6,028	5,615	(413)
Total special education	<u>543,433</u>	<u>557,255</u>	<u>544,606</u>	<u>(12,649)</u>
Vocational education:				
Teachers	284,825	284,825	261,612	(23,213)
Substitute teachers	5,000	5,000	600	(4,400)
Noncertified substitute teachers	1,000	1,000	300	(700)
Social security	18,032	18,032	15,416	(2,616)
State retirement	25,863	25,863	23,737	(2,126)
Life insurance	211	211	194	(17)
Medical insurance	78,565	78,565	66,110	(12,455)
Medicare	4,217	4,217	3,605	(612)
Maintenance and repair - equipment	500	500	-	(500)
Instructional supplies	2,750	2,750	816	(1,934)
Other charges	4,250	4,250	-	(4,250)
Total vocational education	<u>425,213</u>	<u>425,213</u>	<u>372,390</u>	<u>(52,823)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Support services				
Attendance:				
Director	25,956	25,956	25,956	-
Other salaries and wages	1,400	1,400	1,400	-
Social security	1,698	1,698	1,609	(89)
State retirement	2,490	2,490	2,489	(1)
Life insurance	17	17	16	(1)
Medical insurance	8,372	8,372	6,651	(1,721)
Medicare	397	397	376	(21)
Travel	1,600	1,768	1,703	(65)
Other supplies and materials	600	600	394	(206)
Total attendance	<u>42,530</u>	<u>42,698</u>	<u>40,594</u>	<u>(2,104)</u>
Health services:				
Supervisor/Director	54,170	54,170	54,170	-
Medical personnel	45,000	45,000	45,000	-
Other salaries and wages	1,900	1,900	1,400	(500)
Social security	6,267	6,267	5,803	(464)
State retirement	9,072	9,072	8,900	(172)
Life insurance	66	66	65	(1)
Medical insurance	27,253	27,253	27,225	(28)
Medicare	1,466	1,466	1,357	(109)
Maintenance and repair - equipment	250	250	-	(250)
Travel	4,000	4,000	1,437	(2,563)
Other contracted services	2,625	2,625	-	(2,625)
Drugs and medical supplies	2,100	2,100	1,602	(498)
Other supplies and materials	3,919	3,919	3,287	(632)
Total health services	<u>158,088</u>	<u>158,088</u>	<u>150,246</u>	<u>(7,842)</u>
Other student support:				
Career ladder program	2,000	2,000	2,000	-
Guidance personnel	172,722	172,722	172,722	-
Social security	10,833	10,833	10,101	(732)
State retirement	15,865	15,865	15,822	(43)
Life insurance	98	98	97	(1)
Medical insurance	44,553	44,563	44,562	(1)
Medicare	2,534	2,534	2,362	(172)
Evaluation and testing	23,000	26,000	23,913	(2,087)
Other contracted services	107,348	107,348	92,696	(14,652)
Other charges	17,900	35,138	14,211	(20,927)
Other equipment	60,000	54,500	9,501	(44,999)
Total other student support	<u>456,853</u>	<u>471,601</u>	<u>387,987</u>	<u>(83,614)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Regular instruction:				
Director	149,868	149,868	149,752	(116)
Career ladder program	5,000	5,000	5,000	-
Librarians	112,860	112,860	112,860	-
Secretaries	24,178	24,178	24,178	-
Clerical personnel	9,652	9,652	9,651	(1)
Bonus payments	248,000	248,000	135,612	(112,388)
Other salaries and wages	12,400	12,400	6,163	(6,237)
Certified substitute teachers	1,060	1,060	200	(860)
Noncertified substitute teachers	140	140	-	(140)
Social security	34,917	34,917	26,583	(8,334)
State retirement	50,949	50,949	39,814	(11,135)
Life insurance	170	170	135	(35)
Medical insurance	43,980	44,572	44,593	21
Medicare	8,168	8,168	6,217	(1,951)
Dues and memberships	-	100	100	-
Travel	9,000	9,000	1,675	(7,325)
Other contracted services	1,000	1,000	-	(1,000)
Library books	15,774	15,774	11,627	(4,147)
Other supplies and materials	1,000	1,000	100	(900)
Inservice/staff development	9,000	9,000	3,404	(5,596)
Total regular education	<u>737,116</u>	<u>737,808</u>	<u>577,664</u>	<u>(160,144)</u>
Special education:				
Director	46,018	46,134	46,133	(1)
Clerical personnel	28,954	28,954	28,954	-
Other salaries and wages	1,400	1,400	1,400	-
Social security	4,735	4,743	4,455	(288)
State retirement	6,868	6,879	6,878	(1)
Life insurance	57	57	49	(8)
Medical insurance	16,958	16,958	16,240	(718)
Medicare	1,108	1,110	1,042	(68)
Total special education	<u>106,098</u>	<u>106,235</u>	<u>105,151</u>	<u>(1,084)</u>
Vocational education:				
Director	9,466	9,636	9,635	(1)
Social security	587	598	569	(29)
State retirement	860	876	875	(1)
Medicare	138	141	133	(8)
Total vocational education	<u>11,051</u>	<u>11,251</u>	<u>11,212</u>	<u>(39)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Education technology				
Director	73,655	73,655	73,655	-
Clerical personnel	6,059	6,059	6,059	-
Other salaries and wages	29,826	29,826	29,416	(410)
Social security	6,792	6,792	6,330	(462)
State retirement	9,877	9,877	9,662	(215)
Life insurance	65	65	65	-
Medical insurance	15,887	24,833	24,832	(1)
Medicare	1,589	1,589	1,480	(109)
Maintenance and repair - equipment	3,000	3,000	2,552	(448)
Internet connectivity	32,160	32,160	29,789	(2,371)
Travel	4,500	4,500	164	(4,336)
Other contracted services	17,300	17,300	10,768	(6,532)
Instructional supplies	40,000	40,000	31,721	(8,279)
Cabling	5,000	5,000	4,495	(505)
Software	76,000	76,000	67,753	(8,247)
Inservice/staff development	6,000	6,000	199	(5,801)
Other equipment	270,000	270,000	268,326	(1,674)
Total education technology	<u>597,710</u>	<u>606,656</u>	<u>567,266</u>	<u>(39,390)</u>
Board of education:				
Audit services	22,890	22,890	22,465	(425)
Dues and memberships	9,821	9,821	2,144	(7,677)
Legal services	9,945	9,945	658	(9,287)
Travel	11,606	11,606	10,655	(951)
Other contracted services	3,729	3,729	3,229	(500)
Boiler insurance	20	62	62	-
Liability insurance	23,000	23,000	20,257	(2,743)
Trustee commissions	63,000	63,000	62,396	(604)
Workmen's compensation insurance	73,910	73,910	66,413	(7,497)
Criminal investigation	250	261	261	-
Refund to applicant	250	250	33	(217)
Other charges	34,600	34,968	26,814	(8,154)
Total board of education	<u>253,021</u>	<u>253,442</u>	<u>215,387</u>	<u>(38,055)</u>
Director of schools:				
County official/administrative officer	115,000	115,000	115,000	-
Career ladder program	1,000	1,000	1,000	-
Secretaries	42,536	42,536	42,536	-
Other salaries and wages	12,920	12,920	7,920	(5,000)
Social security	10,631	10,631	9,781	(850)
State retirement	15,471	15,471	15,016	(455)
Life insurance	65	65	65	-
Medical insurance	30,595	28,788	28,788	-
Medicare	2,487	2,487	2,288	(199)
Communication	49,000	49,000	39,225	(9,775)

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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Dues and memberships	3,000	3,000	2,476	(524)
Maintenance and repair - equipment	500	500	-	(500)
Postal charges	3,000	3,000	1,503	(1,497)
Travel	8,400	8,400	7,919	(481)
Other contracted services	4,800	4,800	4,920	120
Office supplies	7,000	8,000	7,714	(286)
Other charges	6,000	5,500	1,928	(3,572)
Administration equipment	13,500	13,500	13,318	(182)
Total director of schools	<u>325,905</u>	<u>324,598</u>	<u>301,397</u>	<u>(23,201)</u>
Office of the principal:				
Principals	250,207	250,207	250,207	-
Career ladder program	5,000	5,000	4,000	(1,000)
Accountants/bookkeepers	28,574	28,574	28,574	-
Assistant principals	224,928	224,928	224,764	(164)
Secretaries	121,706	121,706	120,859	(847)
Social security	39,086	39,086	37,101	(1,985)
State retirement	56,896	56,896	56,735	(161)
Life insurance	373	373	373	-
Medical insurance	130,949	130,848	125,198	(5,650)
Medicare	9,141	9,141	8,677	(464)
Dues and memberships	5,000	5,000	4,933	(67)
Travel	7,500	7,500	-	(7,500)
Other contracted services	5,500	5,500	3,036	(2,464)
Other charges	1,200	1,200	864	(336)
Administration equipment	16,000	16,000	389	(15,611)
Total office of the principal	<u>902,060</u>	<u>901,959</u>	<u>865,710</u>	<u>(36,249)</u>
Fiscal services:				
Supervisor/director	67,952	67,952	67,952	-
Accountants/bookkeepers	74,753	76,147	76,144	(3)
Social security	8,891	8,978	8,424	(554)
State retirement	12,629	12,753	12,752	(1)
Life insurance	91	91	90	(1)
Medical insurance	38,575	38,575	37,660	(915)
Medicare	2,081	2,102	1,970	(132)
Travel	1,498	1,498	30	(1,468)
Other contracted services	4,858	5,037	4,959	(78)
Data processing supplies	3,281	3,180	2,597	(583)
Administration equipment	13,847	13,847	13,735	(112)
Total fiscal services	<u>228,456</u>	<u>230,160</u>	<u>226,313</u>	<u>(3,847)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Operation of plant:				
Custodial salaries	38,337	38,337	36,965	(1,372)
Other salaries and wages	2,500	2,500	-	(2,500)
Social security	2,532	2,532	2,209	(323)
State retirement	3,615	3,615	2,038	(1,577)
Life insurance	33	33	32	(1)
Medical insurance	28,206	6,414	6,413	(1)
Medicare	593	593	517	(76)
Janitorial services	282,000	282,000	273,830	(8,170)
Maintenance and repairs	500	500	178	(322)
Rental	6,000	6,000	4,651	(1,349)
Custodial supplies	13,000	13,000	6,604	(6,396)
Electricity	419,600	418,399	400,396	(18,003)
Natural gas	50,000	56,000	54,753	(1,247)
Water and sewer	45,000	45,000	41,081	(3,919)
Plant operation equipment	40,000	40,000	35,779	(4,221)
Other charges	2,000	2,000	889	(1,111)
Total operation of plant	<u>933,916</u>	<u>916,923</u>	<u>866,335</u>	<u>(50,588)</u>
Maintenance of plant:				
Supervisor's salary	58,820	58,820	58,820	-
Maintenance personnel	117,375	117,375	112,968	(4,407)
Other salaries	84,540	112,810	89,649	(23,161)
Social security	16,166	17,919	15,840	(2,079)
State retirement	23,280	25,847	20,135	(5,712)
Life insurance	130	130	130	-
Medical insurance	28,206	39,448	39,448	-
Medicare	3,781	4,191	3,705	(486)
Communications	2,500	2,500	1,565	(935)
Maintenance and repair - buildings	82,000	115,000	70,978	(44,022)
Maintenance and repair - equipment	35,000	35,000	26,176	(8,824)
Maintenance and repair - vehicles	3,500	3,500	169	(3,331)
Other contracted services	33,000	33,000	28,818	(4,182)
Equipment machinery and parts	1,200	1,200	100	(1,100)
Supplies	2,000	2,000	1,146	(854)
Other charges	40,000	40,000	35,968	(4,032)
Maintenance equipment	15,190	16,495	16,532	37
Total maintenance of plant	<u>546,688</u>	<u>625,235</u>	<u>522,147</u>	<u>(103,088)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Transportation:				
Bus drivers' salaries	108,000	108,000	94,365	(13,635)
Social security	6,696	6,696	5,808	(888)
Medicare	9,807	9,807	8,358	(1,449)
State retirement	1,566	1,566	1,358	(208)
Contracts with other schools	1,000	1,000	856	(144)
Contracts with public carriers	-	18,240	18,240	-
Maintenance and repair - vehicles	50,000	58,214	34,081	(24,133)
Gasoline	40,000	40,000	39,115	(885)
Tires and tubes	5,000	5,000	890	(4,110)
Other supplies and materials	250	250	112	(138)
Vehicle and equipment insurance	10,000	11,052	11,052	-
Inservice/staff development	3,000	3,000	-	(3,000)
Other charges	4,000	4,000	3,210	(790)
Total transportation	<u>329,319</u>	<u>356,825</u>	<u>217,445</u>	<u>(139,380)</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	12,728	12,728	11,991	(737)
Part-time personnel	30,000	30,000	29,026	(974)
Social security	2,649	2,649	2,543	(106)
State retirement	3,782	3,782	2,582	(1,200)
Medicare	620	620	595	(25)
Food supplies	3,500	3,500	2,902	(598)
Other supplies	1,200	1,200	702	(498)
Other charges	500	10,500	476	(10,024)
Other equipment	-	800	784	(16)
Total community service	<u>54,979</u>	<u>65,779</u>	<u>51,601</u>	<u>(14,178)</u>
Early childhood education:				
Teachers	121,155	120,155	118,673	(1,482)
Aides	32,096	32,096	31,350	(746)
Certified substitute	1,000	2,000	1,360	(640)
Noncertified substitute teachers	250	250	113	(137)
Social security	9,580	9,580	8,564	(1,016)
State retirement	13,842	13,842	13,536	(306)
Life insurance	130	130	130	-
Employee insurance - health	48,849	48,849	46,714	(2,135)
Employer medicare	2,241	2,241	2,003	(238)
Other contracted services	-	863	863	-
Food supplies	2,500	2,500	1,914	(586)
Instructional supplies	2,500	8,797	8,845	48
Total early childhood education	<u>234,143</u>	<u>241,303</u>	<u>234,065</u>	<u>(7,238)</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, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u>
				<u>(Under)</u>
Capital outlay:				
Building improvements	<u>386,535</u>	<u>386,535</u>	<u>117,601</u>	<u>(268,934)</u>
Total expenditures	<u>14,745,032</u>	<u>14,900,358</u>	<u>13,286,153</u>	<u>(1,614,205)</u>
Revenues over (under) expenditures	(2,243,825)	(2,267,275)	(444,512)	1,822,763
Other financing sources (uses)				
Transfers in	<u>1,212,500</u>	<u>1,212,500</u>	<u>1,212,500</u>	<u>-</u>
Net change in fund balance	<u>\$(1,031,325)</u>	<u>\$(1,054,775)</u>	<u>\$ 767,988</u>	<u>\$ 1,822,763</u>

Reconciliation to Governmental Statement of Revenues,
Expenditures and Changes in Fund Balance:

	<u>Revenues</u>	<u>Expenditures</u>	
State on-behalf payments for postretirement benefits	\$ 62,508	\$ 62,508	-
Encumbrances - current year	-	(131,260)	131,260
Encumbrances - prior year	-	357,484	(357,484)
Debt service - principal on bonds payable	-	435,000	(435,000)
Debt service - interest on bonds payable	-	132,588	(132,588)
Transfer in from City General Fund for debt service	567,588	-	567,588
Net change in fund balance - GAAP basis			<u>\$ 541,764</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and working funds	\$ 5,428,271
Investments	2,004,755
Accounts receivable (net)	716,987
Other receivables	56,366
Inventories	<u>188,578</u>
Total current assets	8,394,957
Noncurrent assets:	
Restricted cash	1,213,043
Net pension asset	116,130
Capital assets (net of accumulated depreciation)	
Land	41,628
Utility plant in service	<u>17,705,498</u>
Total noncurrent assets	19,076,299
Total assets	<u>27,471,256</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	268,388
Deferred outflows related to postemployment benefits	<u>730</u>
Total deferred outflows of resources	<u>269,118</u>
LIABILITIES	
Current liabilities:	
Accrued payroll	46,403
Compensated absences	32,251
Due to other funds	1,586,029
Sales tax payable	30,455
Retainage payable	75,191
Customer deposits	<u>179,111</u>
Total current liabilities	1,949,440
Noncurrent liabilities:	
Other postemployment benefit liability	38,880
Debt due within one year	360,720
Debt due in more than one year	<u>5,229,101</u>
Total noncurrent liabilities	5,628,701
Total liabilities	<u>7,578,141</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	159,136
Deferred inflows related to postemployment benefits	<u>1,709</u>
Total deferred inflows of resources	<u>160,845</u>
NET POSITION	
Net investment in capital assets	13,242,063
Restricted - pension asset	116,130
Unrestricted	<u>6,643,195</u>
Total net position	<u>\$ 20,001,388</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, 2018

	<u>Water and Sewer Fund</u>	<u>Electric System</u>	<u>Total</u>
Operating Revenues			
Water revenue	\$ 2,784,417	\$ -	\$ 2,784,417
Sewer revenue	1,677,470	-	1,677,470
Electric revenue	-	12,894,806	12,894,806
Tap fees	25,390	-	25,390
Forfeited discounts	93,554	27,854	121,408
Connection fees	103,704	-	103,704
Backflow fees	13,860	-	13,860
Rent from electric property	-	155,767	155,767
Miscellaneous income	5,091	-	5,091
Bad debts	(74,003)	(3,685)	(77,688)
Total operating revenues	<u>4,629,483</u>	<u>13,074,742</u>	<u>17,704,225</u>
Operating Expenses			
Source of supply - water	909,346	-	909,346
Transmission and distribution	716,394	-	716,394
Accounting and collecting	536,526	-	536,526
Sewer treatment	692,868	-	692,868
Cost of power	-	10,706,341	10,706,341
Wholesale broadband charges	-	19,914	19,914
Operating expenses	-	902,824	902,824
Maintenance expenses	-	251,441	251,441
Payroll taxes	-	41,900	41,900
Depreciation	1,115,108	637,580	1,752,688
Total operating expenses	<u>3,970,242</u>	<u>12,560,000</u>	<u>16,530,242</u>
Operating income	<u>659,241</u>	<u>514,742</u>	<u>1,173,983</u>
Non-Operating Revenues (Expense)			
Interest income	48,515	38,250	86,765
Interest expense	(100,504)	(75)	(100,579)
Net non-operating revenues (expense)	<u>(51,989)</u>	<u>38,175</u>	<u>(13,814)</u>
Income before transfers and contributions	607,252	552,917	1,160,169
Contributed capital - grants	399,347	-	399,347
Special item - electric fund transfer of operations	-	(23,315,547)	(23,315,547)
In-lieu-of-tax transfer	-	(279,888)	(279,888)
Change in net position	<u>1,006,599</u>	<u>(23,042,518)</u>	<u>(22,035,919)</u>
Net position - July 1, 2017	19,031,198	23,212,642	42,243,840
Restatement for adoption of new OPEB standards	(36,409)	(170,124)	(206,533)
Net position - July 1, 2017, as restated	<u>18,994,789</u>	<u>23,042,518</u>	<u>42,037,307</u>
Net position - June 30, 2018	<u>\$ 20,001,388</u>	<u>\$ -</u>	<u>\$ 20,001,388</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, 2018

	<u>Water and Sewer Fund</u>	<u>Electric System</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities			
Cash received from customers	\$ 4,614,714	\$13,484,463	\$18,099,177
Cash payments to suppliers for goods and services	(1,780,366)	(11,989,471)	(13,769,837)
Cash payments to employees for services	(1,113,384)	(669,898)	(1,783,282)
Net cash provided by operating activities	<u>1,720,964</u>	<u>825,094</u>	<u>2,546,058</u>
Cash flows from non-capital financing activities			
Decrease in due to/due from other funds	(1,543,043)	-	(1,543,043)
Payments made on intermediary note payable	-	(111,114)	(111,114)
Electric System transfer of cash to component unit entity		(6,055,318)	(6,055,318)
In-lieu-of-tax transfer	-	(279,888)	(279,888)
Net cash used by non-capital financing activities	<u>(1,543,043)</u>	<u>(6,446,320)</u>	<u>(7,989,363)</u>
Cash flows from capital and related financing activities			
Additions to utility plant	(1,065,304)	(656,495)	(1,721,799)
Payments on principal of long-term debt	(354,136)	-	(354,136)
Interest payments on long-term debt	(104,479)	(75)	(104,554)
Capital grant proceeds	399,347	-	399,347
Net cash used by capital and related financing activities	<u>(1,124,572)</u>	<u>(656,570)</u>	<u>(1,781,142)</u>
Cash flows from investing activities			
Payments received from intermediary note receivable	-	111,114	111,114
Investments purchased	(2,004,755)	-	(2,004,755)
Interest earned on investments	48,515	38,250	86,765
Net cash provided (used) by investing activities	<u>(1,956,240)</u>	<u>149,364</u>	<u>(1,806,876)</u>
Net decrease in cash and cash equivalents	(2,902,891)	(6,128,432)	(9,031,323)
Cash and cash equivalents - July 1, 2017	<u>9,544,205</u>	<u>6,128,432</u>	<u>15,672,637</u>
Cash and cash equivalents - June 30, 2018	<u>\$ 6,641,314</u>	<u>\$ -</u>	<u>\$ 6,641,314</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, 2018

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	\$ 659,241	\$ 514,742	\$ 1,173,983
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,115,108	637,580	1,752,688
Bad debt allowance	74,003	3,685	77,688
Deferred outflows related to pensions and OPEB	(673)	(145,260)	(145,933)
Deferred inflows related to pensions and OPEB	(36,809)	-	(36,809)
(Increase) decrease in operating assets:			
accounts receivable	(85,013)	367,032	282,019
other receivables	(3,759)	39,004	35,245
inventories	5,138	(122,303)	(117,165)
prepayments	-	119,245	119,245
net pension asset	20,008	-	20,008
other assets	-	14,136	14,136
Increase (decrease) in operating liabilities:			
accounts payable	(92,826)	(673,586)	(766,412)
customer deposits	(479)	(3,050)	(3,529)
sales tax payable	867	(11,472)	(10,605)
retainage payable	5,891	-	5,891
accrued payroll and related liabilities	57,796	(4,186)	53,610
accrued postemployment benefits liability	2,471	8,574	11,045
net pension liability	-	81,771	81,771
other current liabilities	-	(818)	(818)
Total adjustments	<u>1,061,723</u>	<u>310,352</u>	<u>1,372,075</u>
Net cash provided by operating activities	<u>\$ 1,720,964</u>	<u>\$ 825,094</u>	<u>\$ 2,546,058</u>

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

CITY OF UNION CITY, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Cemetery Private-purpose Trust Fund</u>
ASSETS	
Cash	\$ 216,861
LIABILITIES	<u>-</u>
NET POSITION	
Net position held in trust for cemetery	<u>\$ 216,861</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, 2018

	<u>Cemetery Private-purpose Trust Fund</u>
Additions	
Sales of cemetery lots	\$ 2,200
Interest earnings	<u>780</u>
Total additions	2,980
Deductions	<u>-</u>
Change in net position	2,980
Net position - July 1, 2017	<u>213,881</u>
Net position - June 30, 2018	<u><u>\$ 216,861</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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The financial statements presented include the government and its component units, entities for which the government is considered to be financially accountable. Effective January 1, 2018, the Union City Energy Authority was formed to own and operate an electric utility and telecommunications systems within or outside the corporate limits of the City of Union City and to exercise all powers granted to energy authorities by the Municipal Energy Authority Act enacted by Public Chapter No. 995 of the 2016 Public Acts of the State of Tennessee, as amended, with respect to electric and telecommunications services. This act authorizes the authority, effective immediately upon the effective date of its formation, and upon proper action by the associated municipality, to commence operating the systems and to exercise exclusive control and direction of the systems and to accept title to the assets and assume the liabilities of the systems, and upon such action to hold all the rights as existed with the municipal electric system without diminution. Prior to January 1, 2018, Union City Electric System was included in the City's financial statements as an enterprise fund.

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

The City's financial statements for the year ended June 30, 2018, include the operations of Union City Electric System through December 31, 2017, as a major proprietary fund and report the transfer of operations to the newly-formed energy authority as a special item in the financial statements. The operations of Union City Energy Authority are reported as a discretely presented component unit of the City for the period beginning January 1, 2018, through June 30, 2018. A separately issued financial report for Union City Energy Authority is available and may be obtained by contacting the Authority at 312 N. Division Street, Union City, Tennessee 38261, or by writing to P.O. Box 369, Union City, Tennessee 38281.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

B. Government-wide and Fund Financial Statements

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

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

Discretely presented component units are reported in a separate column of the government-wide financial statements to emphasize that they are legally separate from the primary government. Union City Energy Authority is a major component unit of the City for the year ended June 30, 2018.

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 accounted for the activities of the government's electric distribution operations through December 31, 2017.

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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise 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 for governmental entities.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

Deposits and Investments

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

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

Receivables and Payables

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

Accounts receivable in the proprietary fund results from unpaid billings for service to customers and from unpaid billings related to work performed for or materials sold to certain entities. The 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 six months ended December 31, 2017, was \$3,685. The City records an allowance for bad debts in the Water and Sewer Fund based on accounts 90 days past due.

Property taxes are levied October 1 of each year and attach as an enforceable lien on property as of January 1. Taxes are collected October 1 through the last day of February and become delinquent on March 1. The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$2.40 per \$100 of assessed valuation for general government services. The City's property tax rate for 2018 is \$2.09790. The City bills and collects its own property taxes, and tax revenues are recognized when levied to the extent that they result in current receivables. The City reports its property tax receivable net of an allowance for doubtful accounts, which estimates uncollectible taxes.

Inventories and Prepaid Items

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

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

Restricted Assets

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position 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 and other postemployment benefits. See Note 5 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 deferred in both the governmental funds balance sheet and the statement of net position. Revenues that do not meet the City's policy for available revenues at the fund level are also reported as deferred inflows of resources in the governmental funds balance sheet. The City has two items reported in this category – state beer taxes and state income taxes. Deferred inflows related to pensions and other postemployment benefits are reported in the statement of net position and are detailed in Note 5.

Compensated Absences

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

Long-term Obligations

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 additions to/deductions from City of Union City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Plans. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

Management adopted GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the current year, including the amendments in GASB Statement No. 85. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and replaces the requirements of Statement No. 45 and No. 57. The new pronouncements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, GASB identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed. The adoption of these new standards resulted in an increase in beginning postemployment benefits liability of \$1,610,889 and an increase in beginning deferred outflows for OPEB of \$58,884. Beginning net position decreased by the net of these adjustments, or \$1,552,005.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Local Government OPEB Plan, Teacher Group OPEB Plan, and Tennessee Plan administered

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

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

Fund Balances

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

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

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

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

The financial statements include a reconciliation between *fund balances – total governmental funds* on the governmental balance sheet and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of the \$28,719,479 difference are as follows:

Governmental funds capital assets	\$ 50,637,963
Less: accumulated depreciation	<u>(21,918,484)</u>
Net adjustment	<u>\$ 28,719,479</u>

Another element of that reconciliation explains that the recognition of pension and OPEB expense on the accrual basis includes recognition of pension and OPEB liabilities and assets, as well as related deferred outflows and inflows of resources, in the government-wide statements. The details of this \$375,818 difference are as follows:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Net pension asset	\$ 422,789
Deferred outflows related to pensions	2,672,596
Deferred outflows related to OPEB	63,942
Net pension liability	(269,457)
Other postemployment benefits liability (OPEB)	(1,416,064)
Deferred inflows related to pensions	(1,786,232)
Deferred inflows related to OPEB	(63,392)
Net adjustment	<u>\$ (375,818)</u>

The last element of the reconciliation explains that "long-term debt is not due and payable in the current period and, therefore, is not reported in governmental funds." The details of this \$11,029,003 difference are as follows:

Bonds and notes payable	\$ 10,898,000
Plus issuance premium (to be amortized against interest expense)	<u>114,750</u>
	11,012,750
Compensated absences	<u>16,253</u>
Net adjustment	<u>\$ 11,029,003</u>

The financial statements also include a reconciliation between *net change in fund balances – total governmental funds* as reported in the governmental fund statement of revenues, expenditures, and changes in fund balances and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period." The details of this \$1,594,261 difference are as follows:

Capital outlay	\$ 2,713,585
Depreciation expense	<u>(1,119,324)</u>
Net adjustment	<u>\$ 1,594,261</u>

The reconciliation also states that while pension contributions are reported as expenditures in governmental funds, pension and OPEB expense in the statement of activities is primarily the result of changes in the components of the pension and OPEB liabilities over current and future periods. The details of this \$594,044 difference are as follows:

Pension contributions	\$ 900,148
Pension expense	(236,062)
OPEB contributions, including on-behalf payments	137,644
OPEB expense	<u>(207,683)</u>
Net adjustment	<u>\$ 594,047</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 \$16,378 difference are as follows:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Amortization of bond premium	\$ 11,402
Change in compensated absences	6,972
Change in inventory	<u>(1,996)</u>
Net adjustment	<u><u>\$ 16,378</u></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.
5. Budgets for the Board of Education funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and non-cash expenditures, such as on-behalf payments, commodities distributed, and debt payments made by the City of Union City. Encumbrances are included in the budgetary process and are reported as expenditures in the year budgeted in the budget statements. Reconciliations for these differences are included in the school funds' budget statement and schedules. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbered appropriations for funds do not lapse at the end of the fiscal year.
6. The City's General Fund and other special revenue funds budget on a cash basis. This basis does not differ materially from the basis of accounting used in the presentation of the governmental fund financial statements.

For the year ended June 30, 2018, the following funds had expenditures in excess of appropriations:

	Final Budget	Actual Expenditures	Expenditures Over Budget
Hotel/Motel Fund	\$ 150,010	\$ 162,504	\$ 12,494
Speed and Red Light Enforcement Fund	200,000	242,160	42,160
Solid Waste Fund	1,884,422	1,934,812	50,390

NOTE 4 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

As of June 30, 2018, the City's investments included certificates of deposit at local banks, which do not meet the definition of investments for the purposes of investment risk disclosures. These invested funds are reported as restricted assets in the financial statements.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Custodial Credit Risk – State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by eligible collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2018, all deposits, including restricted certificates of deposits, were insured or collateralized.

B. Investments

At June 30, 2018, the City had investment accounts with Raymond James that included U.S. Treasury notes with a fair value of \$3,959,320 and cash and cash alternatives of \$50,190. The total of \$4,009,510 is reported as investments in the financial statements. The U.S. Treasury notes have a Moody's long-term rating of Aaa and the S&P issuer credit rating for the U.S. Government was AA+ with a negative long-term outlook. The notes have a weighted average maturity of 1.66 years. The cash alternative accounts are an on-demand alternative for client cash that is held for future investment and is included in SIPC coverage.

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

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

C. Receivables

Receivables as of June 30, 2018, 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	Water and Sewer	Nonmajor Funds	Total
Property taxes	\$ 4,955,112	\$ -	\$ -	\$ -	\$ 4,955,112
Accounts	-	6,238	955,452	80,334	1,042,024
Sales tax	847,153	284,446	-	-	1,131,599
Other	607,201	274,716	56,366	-	938,283
Total receivables	6,409,466	565,400	1,011,818	80,334	8,067,018
Less allowance for uncollectibles	(568,312)	-	(238,465)	-	(806,777)
Net receivables	<u>\$ 5,841,154</u>	<u>\$ 565,400</u>	<u>\$ 773,353</u>	<u>\$ 80,334</u>	<u>\$ 7,260,241</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,607,011	\$ -	\$ -	\$ 3,607,011
Construction in progress	37,908	2,168,276	-	2,206,184
Total not being depreciated	<u>3,644,919</u>	<u>2,168,276</u>	<u>-</u>	<u>5,813,195</u>
Capital assets, being depreciated				
Buildings	26,763,427	271,400	-	27,034,827
Parks and recreation	3,578,405	-	-	3,578,405
Vehicles and equipment	8,823,418	273,909	-	9,097,327
Infrastructure	5,114,209	-	-	5,114,209
Total being depreciated	<u>44,279,459</u>	<u>545,309</u>	<u>-</u>	<u>44,824,768</u>
Less accumulated depreciation for:				
Buildings	10,059,038	543,665	-	10,602,703
Parks and recreation	2,125,592	67,921	-	2,193,513
Vehicles and equipment	6,876,399	371,814	-	7,248,213
Infrastructure	1,738,131	135,924	-	1,874,055
Total accumulated depreciation	<u>20,799,160</u>	<u>1,119,324</u>	<u>-</u>	<u>21,918,484</u>
Net capital assets being depreciated	<u>23,480,299</u>	<u>(574,015)</u>	<u>-</u>	<u>22,906,284</u>
Governmental activities, net	<u>\$ 27,125,218</u>	<u>\$ 1,594,261</u>	<u>\$ -</u>	<u>\$ 28,719,479</u>

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

Financial administration	\$ 40,544
Planning and code enforcement	4,991
Public safety	172,591
Street department	183,837
Recreation	127,310
Public works	21,329
Education	568,722
Total depreciation expense - governmental activities	<u>\$ 1,119,324</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 169,306	\$ -	\$ (127,678)	\$ 41,628
Construction in progress	174,157	-	(174,157)	-
Property held for future use	100,009	-	(100,009)	-
Total not being depreciated	<u>443,472</u>	<u>-</u>	<u>(401,844)</u>	<u>41,628</u>
Capital assets, being depreciated				
Production plant	8,132,578	-	-	8,132,578
Distribution plant	17,246,055	903,160	(12,975)	18,136,240
Sewer plant	17,412,539	84,306	-	17,496,845
Other capital assets	1,487,986	77,838	-	1,565,824
Electric plant	<u>33,818,179</u>	<u>656,495</u>	<u>(34,474,674)</u>	<u>-</u>
Total being depreciated	<u>78,097,337</u>	<u>1,721,799</u>	<u>(34,487,649)</u>	<u>45,331,487</u>
Less accumulated depreciation for:				
Production plant	5,197,051	243,182	-	5,440,233
Distribution plant	7,949,070	434,138	(12,975)	8,370,233
Sewer plant	12,337,539	394,560	-	12,732,099
Other capital assets	1,040,196	43,228	-	1,083,424
Electric plant	<u>15,262,508</u>	<u>637,580</u>	<u>(15,900,088)</u>	<u>-</u>
Total accumulated depreciation	<u>41,786,364</u>	<u>1,752,688</u>	<u>(15,913,063)</u>	<u>27,625,989</u>
Net capital assets being depreciated	<u>36,310,973</u>	<u>(30,889)</u>	<u>(18,574,586)</u>	<u>17,705,498</u>
Business-type activities, net	<u>\$ 36,754,445</u>	<u>\$ (30,889)</u>	<u>\$ (18,976,430)</u>	<u>\$ 17,747,126</u>

E. Long-Term Debt

General Obligation Bonds, Series 2016 – On July 22, 2016, the City of Union City issued \$5,950,000 in General Obligation Bonds, Series 2016, with \$3,575,000 supported by the General Fund, \$460,000 supported by Stormwater funds within the General Fund, and \$1,915,000 to the Water and Sewer Fund for water and sewer improvements. The bonds are scheduled to be paid with semi-annual interest payments on June 1 and December 1 of each year beginning December 1, 2016, and annual principal payments due June 1 of each year, beginning on June 1, 2018. Interest is fixed at rates ranging from 2% to 2.5%. The balance outstanding at June 30, 2018 for governmental activities was \$3,860,000 and for business-type activities was \$1,830,000.

General Obligation Bonds, Series 2013A and 2013B – On June 28, 2013, the City of Union City issued \$3,260,000 in General Obligation Bonds, Series 2013A, with \$1,300,000 allocated to the General Fund for Discovery Park expenditures and \$1,960,000 to the Water and Sewer Fund for water and sewer improvements. Also issued on that date were General Obligation Bonds, Series 2013B (federally taxable), for \$2,490,000 to refund \$2,440,000 in capital outlay notes and \$50,000 to finance additional industrial park expenditures. The bonds are scheduled to be paid with semi-annual interest payments on June 1 and December 1 of each year and annual principal payments due June 1 of each year. Interest is fixed at rates ranging from 2% to 4.5%. Outstanding balances at June 30, 2018, were \$3,090,000 attributable to governmental activities and \$1,285,000 for business-type.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Refunding Bonds, Series 2009 – On February 27, 2009, the \$6,625,000 General Obligation Refunding Bonds, Series 2009, of the City of Union City were issued to provide funds to refund on a current basis the remaining balance of the City's outstanding loan agreement dated October 1, 2000. The refunding bonds are payable with semi-annual interest payments on June 1 and December 1 of each year and annual principal payments due June 1 of each year. Interest is fixed at rates ranging from 2.5% initially up to 4%. The outstanding balance at June 30, 2018, was \$2,975,000.

General Obligation Capital Outlay Note, Series 2017 – On February 24, 2016, the City executed a capital outlay note for \$1,050,000 through the Tennessee Municipal Bond Fund Alternative Loan Program. The note is payable in annual principal payments on February 1 of each year beginning in 2018 and interest payable semiannually on August 1 and February 1 of each year beginning on August 1, 2017. The note matures February 1, 2029. Interest is fixed at 2.7781%. The outstanding balance at June 30, 2018, was \$973,000.

State Revolving Fund (SRF) Loan – This loan was obtained to finance renovations at the wastewater treatment plant. The loan has an interest rate of 1.17% and requires monthly payments of \$13,617 over 20 years plus a .08% administrative fee. The final payment is due in October 2034. The balance outstanding as of June 30, 2017, was \$2,417,244.

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
2019	\$ 907,000	\$ 333,354	\$ 360,720	\$ 98,494
2020	929,000	305,115	362,316	92,398
2021	951,000	275,620	368,936	86,278
2022	978,000	245,070	370,568	79,766
2023	1,006,000	213,269	372,224	72,950
2024-2028	3,641,000	649,193	1,811,584	261,962
2029-2033	1,736,000	198,569	1,325,948	113,449
2034-2036	750,000	36,513	559,948	19,106
Total	<u>\$ 10,898,000</u>	<u>\$ 2,256,703</u>	<u>\$ 5,532,244</u>	<u>\$ 824,403</u>

Changes in long-term liabilities for the year ended June 30, 2018, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
2017 Capital outlay note	\$ 1,050,000	\$ -	\$ 77,000	\$ 973,000	\$ 77,000
2016 Bond issue	4,035,000	-	175,000	3,860,000	180,000
2009 Refunding bonds	3,410,000	-	435,000	2,975,000	450,000
2013 Bond issue	3,290,000	-	200,000	3,090,000	200,000
Bond premiums	126,152	-	11,402	114,750	n/a
Compensated absences	23,225	-	6,972	16,253	n/a
Totals	<u>\$ 11,934,377</u>	<u>\$ -</u>	<u>\$ 905,374</u>	<u>\$ 11,029,003</u>	<u>\$ 907,000</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
2016 Bond issue	\$ 1,915,000	\$ -	\$ 85,000	\$ 1,830,000	\$ 85,000
2013 Bond issue	1,420,000	-	135,000	1,285,000	140,000
Intermediary loan	1,592,582	-	1,592,582	-	-
SRF loan	2,551,380	-	134,136	2,417,244	135,720
Bond premium	61,552	-	3,975	57,577	n/a
Compensated absences	248,140	14,727	230,616	32,251	32,251
Totals	<u>\$ 7,788,654</u>	<u>\$ 14,727</u>	<u>\$ 2,181,309</u>	<u>\$ 5,622,072</u>	<u>\$ 392,971</u>

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

F. Fund Balances and Net Position

The City has categorized spendable fund balances as follows:

	General Fund	Gen. Purpose School Fund	Nonmajor Funds
Restricted:			
Unspent debt proceeds	\$ 1,548,208	\$ -	\$ -
Education	-	2,691,466	455,285
Hotel/Motel Tax	-	-	3,512
State Street Aid	-	-	358,567
Solid Waste revenues	-	-	601,913
Drug Fund	-	-	64,825
Total restricted	<u>\$ 1,548,208</u>	<u>\$ 2,691,466</u>	<u>\$ 1,484,102</u>
Committed:			
Rural Fire	\$ 47,546	\$ -	\$ -
Unemployment	86,115	-	-
City Beautiful	157	-	-
Drug Deterrence	4,553	-	-
Police Education	3,275	-	-
Speed and Red Light Enforcement	-	-	321,510
Total committed	<u>\$ 141,646</u>	<u>\$ -</u>	<u>\$ 321,510</u>
Assigned for next year's budget	<u>\$ 3,049,643</u>	<u>\$ -</u>	<u>\$ -</u>

In addition to the above items, the statement of net position has restricted an additional \$44,374 for school food service inventory and \$422,789 for net pension assets. The unspent debt proceeds restricted in the General Fund are offset by the outstanding debt in the statement of net position.

G. Interfund receivables, payables, and transfers

Interfund balances and transfers as of and for the year ended June 30, 2018, were as follows:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Receivable/Transfer In	Payable/Transfer Out	Amount
Solid Waste (nonmajor)	Water and Sewer (major)	\$ 482,671
General (major)	Water and Sewer (major)	1,103,358
Hotel/Motel (nonmajor)	Drug Enforcement (nonmajor)	565
General (major)	Solid Waste (nonmajor)	166,910
Total interfund receivables/payables		<u>\$ 1,753,504</u>
General (major)	Electric System (major)	\$ 279,888
General Purpose School (major)	General (major)	1,212,500
General Purpose School (major)	General (major)	567,588
Total interfund transfers		<u>\$ 2,059,976</u>

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

The transfer from the Electric System to the General Fund is an in-lieu-of-tax payment. The transfers between the General Fund and General Purpose School Fund include an annual, recurring, budgeted transfer of \$1,212,500 plus debt service payments on school bonds made by the City each year.

H. Tax Abatements

The City uses property tax abatement agreements with local businesses to encourage economic development in the area. For the year ended June 30, 2018, the City had the following agreements in place:

Company	Terms of Agreement		Amount of Tax Abated for the Year Ended June 30, 2018	
	Type of Tax	Amount		
MIA Seating Corporation	Real and personal property taxes	0% paid 2014–2018 25% paid 2019–2023 50% paid 2024–2028 75% paid 2029–2033	\$39,896 \$15,000	real property personal property
	City of Union City pays \$162,500 annually towards MIA building loan through 2023.			
Greenfield Products, Inc.	Real property taxes	25% paid 2008–2012 50% paid 2013–2017 75% paid 2018–2022	\$25,367	real property
Tyson Foods	Real and personal property taxes	0% paid 1997–2022	\$116,752 \$40,000	real property personal property
Institutional Casework, Inc.	Real and personal property taxes	0% paid 2016–2025	\$25,772 \$12,000	real property personal property

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – OTHER INFORMATION

A. Risk Management

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

B. Litigation

The City is a defendant in lawsuits and other claims that occur in the ordinary course of City operations. Management is of the opinion that such lawsuits and claims do not meet the criteria for accruing a loss contingency as of June 30, 2018. 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

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.state.tn.us/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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

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

	City	BOE
Inactive employees or beneficiaries currently receiving benefits	80	53
Inactive employees entitled to but not yet receiving benefits	76	47
Active employees	127	64
	<u>283</u>	<u>164</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, 2018, the employer contributions for City of Union City were \$211,810 based on a rate of 3.69 percent of covered payroll and employer contributions for Union City Board of Education were \$116,919 based on a rate of 8.85 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City of Union City's and Union City Board of Education's state shared taxes if required employer contributions are not remitted. The employer's Actuarially Determined Contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions.

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Changes in the Net Pension Liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<u>City of Union City</u>	(a)	(b)	(a) – (b)
Balance at 6/30/16	\$ 26,288,116	\$ 26,847,647	\$ (559,531)
Changes for the year:			
Service cost	485,185	-	485,185
Interest	1,957,386	-	1,957,386
Differences between expected and actual experience	427,026	-	427,026
Changes in assumptions	695,942	-	695,942
Contributions-employer	-	202,474	(202,474)
Contributions-employees	-	271,966	(271,966)
Net investment income	-	2,992,039	(2,992,039)
Benefit payments, including refunds of employee contributions	(1,349,655)	(1,349,655)	-
Administrative expense	-	(10,421)	10,421
Other changes	-	-	-
Net changes	2,215,884	2,106,403	109,481
Balance at 6/30/17	<u>\$ 28,504,000</u>	<u>\$ 28,954,050</u>	<u>\$ (450,050)</u>
 <u>Board of Education</u>			
Balance at 6/30/16	\$ 5,164,081	\$ 4,778,048	\$ 386,033
Changes for the year:			
Service cost	135,108	-	135,108
Interest	387,728	-	387,728
Differences between expected and actual experience	(5,033)	-	(5,033)
Changes in assumptions	110,929	-	110,929
Contributions – employer	-	134,547	(134,547)
Contributions – employees	-	77,505	(77,505)
Net investment income	-	538,477	(538,477)
Benefit payments, including refunds of employee contributions	(258,964)	(258,964)	-
Administrative expense	-	(5,221)	5,221
Other changes	-	-	-
Net changes	369,768	486,344	(116,576)
Balance at 6/30/17	<u>\$ 5,533,849</u>	<u>\$ 5,264,392</u>	<u>\$ 269,457</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

Net pension liability (asset) attributable to:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Union City	\$2,963,501	\$(450,050)	\$(3,311,607)
Union City Board of Education	966,336	269,457	(312,294)

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

For the year ended June 30, 2018, City of Union City recognized pension expense of \$110,894 and Union City Board of Education recognized pension expense of \$82,223.

Deferred outflows of resources and deferred inflows of resources reported in the June 30, 2018, financial statements related to the Public Employee Retirement Plan were from the following sources:

	City of Union City		UC Board of Education	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 555,262	\$ 619,233	\$ 27,761	\$ 87,995
Net difference between projected and actual earnings on pension plan investments	8,237	-	-	715
Changes in assumptions	579,952	-	88,743	-
Contributions subsequent to the measurement date of June 30, 2017	211,810	-	116,919	-
Total	\$ 1,355,261	\$ 619,233	\$ 233,423	\$ 88,710

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2017" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following measurement periods:

Year Ending June 30:

2018	\$(101,700)
2019	363,272
2020	232,527
2021	(129,248)
2022	187,161

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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.state.tn.us/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 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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The 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, 2018, to the Teacher Legacy Pension Plan were \$573,905 which is 9.08 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.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

Pension liabilities. At June 30, 2018, the Union City Schools reported an asset of \$58,640 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Union City Schools' proportion of the net pension liability (asset) was based on Union City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Union City Schools' proportion was 0.179229 percent. The proportion measured as of June 30, 2016, was 0.163203 percent.

Pension expense. For the year ended June 30, 2018, Union City Schools recognized pension expense of \$49,149 for the Legacy Plan.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Union City Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,353	\$ 1,210,657
Changes in assumptions	496,654	-
Net difference between projected and actual earnings on pension plan investments	8,902	-
Changes in proportion of net pension liability (asset)	192,861	22,867
LEA's contributions subsequent to the measurement date of June 30, 2017	573,905	(not applicable)
Total	<u>\$ 1,307,675</u>	<u>\$ 1,233,524</u>

Union City Schools' employer contributions of \$573,905 reported as pension related deferred outflows of resources subsequent to the measurement date will be recognized as a decrease (increase) in net pension liability (asset) in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following measurement periods:

Year Ending June 30:	
2018	\$(371,134)
2019	228,773
2020	(102,654)
2021	(254,739)

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

Actuarial assumptions. The total pension liability for the Teacher Legacy Pension Plan was determined by an actuarial valuation as of June 30, 2017, using the same actuarial assumptions as the Public Employee Retirement Plan, disclosed previously.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Union City Schools' proportionate share of the net pension liability (asset)	\$ 5,261,754	\$ (58,640)	\$ (4,456,297)

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.state.tn.us/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 with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90, in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018, to the Teacher Retirement Plan were \$35,559, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities. At June 30, 2018, the Union City Schools reported an asset of \$30,229 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, 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 asset was based on Union City Schools' share of contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2017, Union City Schools' proportion was 0.114581 percent. The proportion measured as of June 30, 2016, was 0.160859 percent.

Pension expense. For the year ended June 30, 2018, Union City Schools recognized pension expense of \$14,113.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Union City Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Retirement Plan from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,059	\$ 2,274
Changes in assumptions	2,656	-
Net difference between projected and actual earnings on pension plan investments	-	1,627
Changes in proportion of net pension asset	5,351	-
LEA's contributions subsequent to the measurement date of June 30, 2017	35,559	(not applicable)
Total	<u>\$ 44,625</u>	<u>\$ 3,901</u>

Union City Schools' employer contributions of \$35,559, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease (increase) in net pension liability (asset) in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following measurement periods:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Year Ending June 30:	
2018	\$256
2019	256
2020	163
2021	(255)
2022	512
Thereafter	4,233

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

Actuarial assumptions. The total pension liability for the Teacher Retirement Plan was determined by an actuarial valuation as of June 30, 2017, using the same actuarial assumptions as the Public Employee Retirement Plan, disclosed previously.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Union City Schools' proportionate share of the net pension liability (asset)	\$ 6,031	\$ (30,230)	\$ (56,829)

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

Defined Contribution Plan

The Teacher Retirement Plan is a hybrid plan that consists of a defined benefit plan plus a defined contribution plan. Employers contribute 4 percent of payroll to the defined benefit component and 5 percent of payroll to the defined contribution component, for an aggregate employer contribution of 9 percent. Contribution rates may only be amended by the Tennessee General Assembly. Employees may elect to defer a percentage of their salary into the plan. Defined contribution plan amounts are deposited into the State's 401(k) plan with Great West Financial, where the employee manages the investments. Employees immediately vest in both the employee and employer contributions to the defined contribution plan. Future employer contributions may be decreased as part of the cost controls for the defined benefit portion of the plan. There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 related to this plan. The District contributed \$44,262 for the fiscal year ended June 30, 2018, equal to five percent of covered payroll.

Total Pension Expense

Total pension expense in the aggregate under all plans for the year ended June 30, 2018, was \$300,641 and is reported in the statement of activities in functional expenses.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

D. Other Postemployment Benefits

General Information about the Teacher Group OPEB Plan

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

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

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

Employees covered by benefit terms. At the measurement date of July 1, 2017, the following employees were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>188</u>
Total	<u>197</u>

An insurance committee created in accordance with TCA 8-27-301 establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, Union City Board of Education paid \$57,594 to the TGOP for OPEB benefits as they came due.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5 percent for 2018, decreasing annually to an ultimate rate of 3.71 percent for 2050 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

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

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

Changes in collective total OPEB liability

Balance at 6/30/16	<u>\$ 1,646,201</u>
Changes for the year:	
Service cost	105,667
Interest	49,949
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(80,979)
Benefit payments	(82,592)
Other changes	-
Net changes	<u>(7,955)</u>
Balance at 6/30/17	<u>\$ 1,638,246</u>

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 560,169
Employer's proportionate share of the collective total OPEB liability	1,078,077
Employer's proportion of the collective total OPEB liability	65.81%

Union City Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Union City Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0% from the prior measurement date. Union City Board of Education recognized \$50,738 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Union City Board of Education retirees.

Changes in assumptions. The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

Proportionate share of collective total OPEB liability using:

1% decrease in discount rate	2.56%	\$ 1,161,955
Current discount rate	3.56%	\$ 1,078,077
1% increase in discount rate	4.56%	\$ 998,437

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

Proportionate share of collective total OPEB liability using:

1% decrease in healthcare cost trend rates	6.50% decreasing to 2.71%	\$ 947,759
Current healthcare cost trend rates	7.50% decreasing to 3.71%	\$ 1,078,077
1% increase in healthcare cost trend rates	8.50% decreasing to 4.71%	\$ 1,234,819

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

For the year ended June 30, 2018, Union City Board of Education recognized OPEB expense of \$148,386. At June 30, 2018, Union City Board of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	48,532
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of amounts paid by the employer and nonemployer contributors as the benefits came due	-	-
Employer payments subsequent to the measurement date	57,594	-
Total	<u>\$ 57,594</u>	<u>\$ 48,532</u>

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

June 30, 2018	\$ (4,758)
2019	(4,758)
2020	(4,758)
2021	(4,758)
2022	(4,758)
Thereafter	(24,742)

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

General Information about the Tennessee Plan

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

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Benefits provided. The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation between the insurance committees created by TCA 8-27-201, 8-27-301, and 8-27-701. Retirees and disabled employees of the State, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible, and also receive a benefit from the Tennessee Consolidated

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. Union City Board of Education does not directly subsidize their post-65 retiree insurance premiums. The State, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with (a) 30 years of service receive \$50 per month; (b) 20 years of service but less than 30 – \$37.50; and (c) 15 years of service but less than 20 – \$25. The TNP is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms. At the measurement date of July 1, 2017, the following employees were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>362</u>
Total	<u>434</u>

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

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

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

Changes in collective total OPEB liability

Balance at 6/30/16	\$ 645,125
Changes for the year:	
Service cost	9,533
Interest	18,612
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(46,611)
Benefit payments	(34,500)
Other changes	-
Net changes	(52,966)
Balance at 6/30/17	\$ 592,159
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 592,159
Employer's proportionate share of the collective total OPEB liability	-
Employer's proportion of the collective total OPEB liability	0%

Union City Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Union City Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion of 0% did not change from the prior measurement date. Union City Board of Education recognized \$22,966 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Union City Board of Education retired employees.

Changes in assumptions. The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017. This change in assumption decreased the total OPEB liability.

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

For the year ended June 30, 2018, Union City Board of Education recognized OPEB expense of \$22,966.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

General Information about the Local Government OPEB Plan

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

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

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

Employees covered by benefit terms. At the measurement date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	113
Total employees	<u>114</u>

An insurance committee created in accordance with TCA 8-27-701 establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, City of Union City paid \$7,078 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

At June 30, 2018, City of Union City reported a liability of \$376,867 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2017, determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5 percent for 2018, decreasing annually over a 33-year period to an ultimate rate of 3.71 percent
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered

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

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

Changes in the Total OPEB Liability

Balance at 6/30/16	\$ 357,453
Changes for the year:	
Service cost	31,059
Interest	11,278
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(18,390)
Benefit payments	(4,533)
Other changes	-
Net changes	19,414
Balance at 6/30/17	\$ 376,867

Changes in assumptions. The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017. This change in assumption decreased the total OPEB liability.

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Sensitivity of total OPEB liability to changes in the discount rate. The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	Rate	Liability
1% decrease	2.56%	\$ 405,267
Current rate	3.56%	\$ 376,867
1% increase	4.56%	\$ 349,308

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

	Rates	Liability
1% decrease	6.50% decreasing to 2.71%	\$ 331,651
Current rates	7.50% decreasing to 3.71%	\$ 376,867
1% increase	8.50% decreasing to 4.71%	\$ 430,504

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

OPEB expense. For the year ended June 30, 2018, City of Union City recognized OPEB expense of \$40,516.

Deferred Outflows of Resources, and Deferred Inflows of Resources. At June 30, 2018, City of Union City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	16,569
Employer payments subsequent to the measurement date	7,078	-
Total	<u>\$ 7,078</u>	<u>\$ 16,569</u>

The amount reported above as deferred outflows of resources related to OPEB resulting from employer payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the June 30, 2018, measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the following measurement periods:

June 30, 2018	\$ (1,821)
2019	(1,821)
2020	(1,821)
2021	(1,821)
2022	(1,821)
Thereafter	(7,464)

CITY OF UNION CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

Total Other Postemployment Benefits Expense

Total OPEB expense in the aggregate under all plans for the year ended June 30, 2018, was \$211,868 and is reported in the statement of activities in functional expenses.

E. Discretely Presented Component Unit

The Union City Energy Authority (UCEA) was formed January 1, 2018, and is considered a discretely presented component unit of the City of Union City. The following amounts were transferred from the City of Union City to UCEA as of that date:

Current assets		\$ 8,674,228
Capital assets		18,976,430
Other assets		<u>1,541,935</u>
Total assets transferred		29,192,593
Total deferred outflows of resources		697,959
Current liabilities	\$ (3,899,563)	
Long-term liabilities	<u>(2,463,915)</u>	
Total liabilities transferred		(6,363,478)
Deferred inflows of resources		<u>(41,403)</u>
Net position at time of transfer		23,485,671
Restatement for adoption of new OPEB standard		<u>(170,124)</u>
Total net position transferred		<u>\$ 23,315,547</u>

The following information is based on activity from the date of formation through the end of the City's current fiscal year.

UCEA's capital asset activity from January 1, 2018, through June 30, 2018, was as follows:

	Balance 1/1/2018	Transfer from City	Additions	Reductions	Balance 6/30/2018
Land	\$ -	\$ 127,678	\$ -	\$ -	\$ 127,678
Construction in progress	-	342,491	-	171,285	171,206
Property held for future use	-	100,009	-	-	100,009
Utility plant, net of depreciation	-	<u>18,406,252</u>	<u>989,257</u>	<u>710,121</u>	<u>18,685,388</u>
Totals	<u>\$ -</u>	<u>\$ 18,976,430</u>	<u>\$ 989,257</u>	<u>\$ 881,406</u>	<u>\$ 19,084,281</u>

UCEA's only long-term debt is related to a Rural Economic Development Loan for \$2,000,000 received as a pass-through loan to Greenfield Products LLC. A note receivable from Greenfield Products was recorded with the same terms. Annual principal payments on both notes are \$222,228. The balances outstanding as of June 30, 2018, were \$1,592,582 and \$1,351,835. The timing of monthly payments causes the difference in the outstanding balances.

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

