

CITY OF DUNLAP, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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

(BLANK PAGE)

JOHNSON, MURPHY & WHEELER, P.C.
ATTORNEYS AT LAW
1000 BROADWAY, SUITE 2000
NEW YORK, NY 10018

I. INTRODUCTORY SECTION

(BLANK PAGE)

CITY OF DUNLAP, TENNESSEE
Table of Contents
June 30, 2019

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i-ii
City Officials	iii
II. FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	20
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual	21-26
Proprietary Funds	
Statement of Net Position	27
Statement of Revenues, Expenses and Changes in Net Position	28
Statement of Cash Flows	29
Notes to Financial Statements	30-56
Required Supplementary Information other than MD&A	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	
Based on Participation in the Public Employee Pension Plan of the TCRS	57
Schedule of Contributions Based on Participation in the Public Employee	
Pension Plan of the TCRS	58-59
Other Supplementary Information	
Non-major Governmental Funds	60
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund	
Balances	62
Solid Waste Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual	63
Drug Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual	64
Debt Service Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual	65

CITY OF DUNLAP, TENNESSEE
Table of Contents (Continued)
June 30, 2019

	Page
II. FINANCIAL SECTION (Continued)	
Other Supplementary Information (Continued)	
Financial Schedules	
Schedule of Expenditures of Federal and State Awards	66
Notes to the Schedule of Expenditures of Federal and State Awards	67
Water and Sewer Fund	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	68
Natural Gas Fund	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	69
General Fund	
Schedule of Property Taxes Receivable	70
Schedule of Changes in Property Taxes Receivable	71
Schedules of Debt Service Requirements	72-82
Schedule of Changes in Long-term Debt by Individual Issue	83
Proprietary Funds	
Schedule of Operating Expenses	84
Tax Rates and Assessed Valuation Applicable to Last Ten Years and Uncollected Delinquent Accounts	85
Schedule of Municipal Utility Rates and Number of Customers	86
Schedule of Insurance	87
Schedule of Unaccounted for Water	88-89
III. INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90-91
Schedule of Findings and Responses	92-93
Schedule of Prior Audit Findings	94
Management's Corrective Action Plan	95

CITY OF DUNLAP, TENNESSEE
City Officials
June 30, 2019

Mayor George Dwain Land

Commissioner..... Judy Layne

Commissioner.....Jeff Harmon

Commissioner..... Allen Jones

City Judge.....Keith Davis

City Recorder/TreasurerNorman D. Hatfield, CMFO

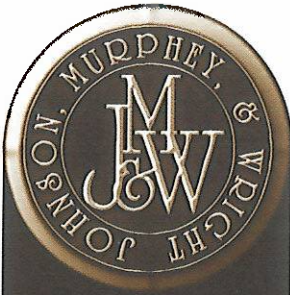
Commissioner (7-1-18 to 12-21-18).....Jeff Johnson

Commissioner (12-22-18 to 6-30-19)..... Bryan Harmon

(BLANK PAGE)

II. FINANCIAL SECTION

(BLANK PAGE)



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Jennifer Waycaster, CPA

INDEPENDENT AUDITOR'S REPORT

Mayor and Commissioners
City of Dunlap, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dunlap, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Mayor and Commissioners
City of Dunlap, Tennessee

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunlap, Tennessee, as of June 30, 2019, and, the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dunlap, Tennessee's basic financial statements. The Introductory Section, non-major governmental fund financial statements, financial 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 non-major governmental fund financial statements and financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section 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.

Mayor and Commissioners
City of Dunlap, Tennessee

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020, on our consideration of the City of Dunlap, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dunlap, Tennessee's internal control over financial reporting and compliance.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
April 10, 2020

(BLANK PAGE)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the City of Dunlap, Tennessee exceeded its liabilities and deferred inflows at June 30, 2019, by \$11,892,604 (net position). Of this amount, \$7,670,600 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a surplus of \$309,401 and business-type activities operated at a surplus of \$395,800.

The City received grant funds in the amount of \$449,460 to be used for various projects.

As of the close of the current fiscal year, the City of Dunlap, Tennessee's governmental funds reported combined ending fund balances of \$5,649,559.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,386,628, or 133.84%, of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Changes in Net Position

Governmental activities increased the City of Dunlap, Tennessee's net position by \$309,401. Business-type activities' net position increased by \$395,800.

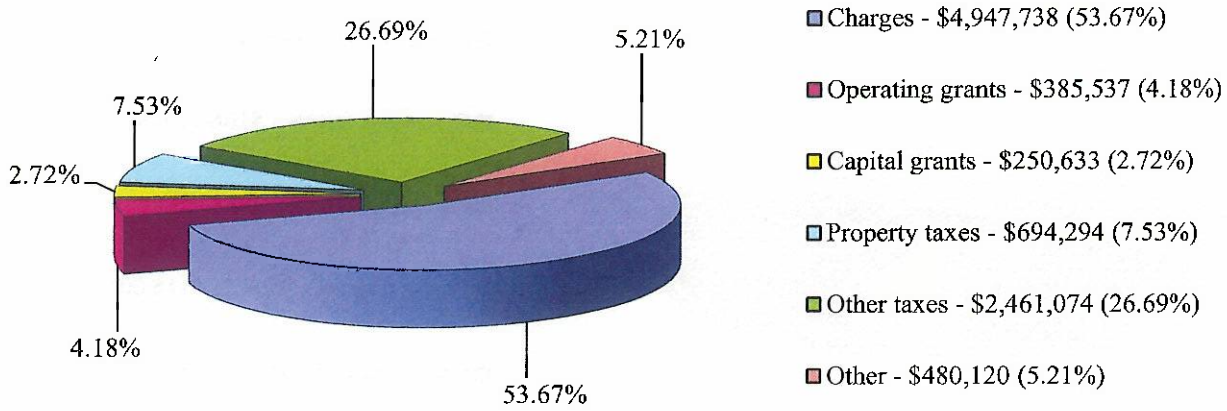
The table below provides a summary of the City's net position broken down by governmental and business-type activities.

City of Dunlap, Tennessee's Changes in Net Position

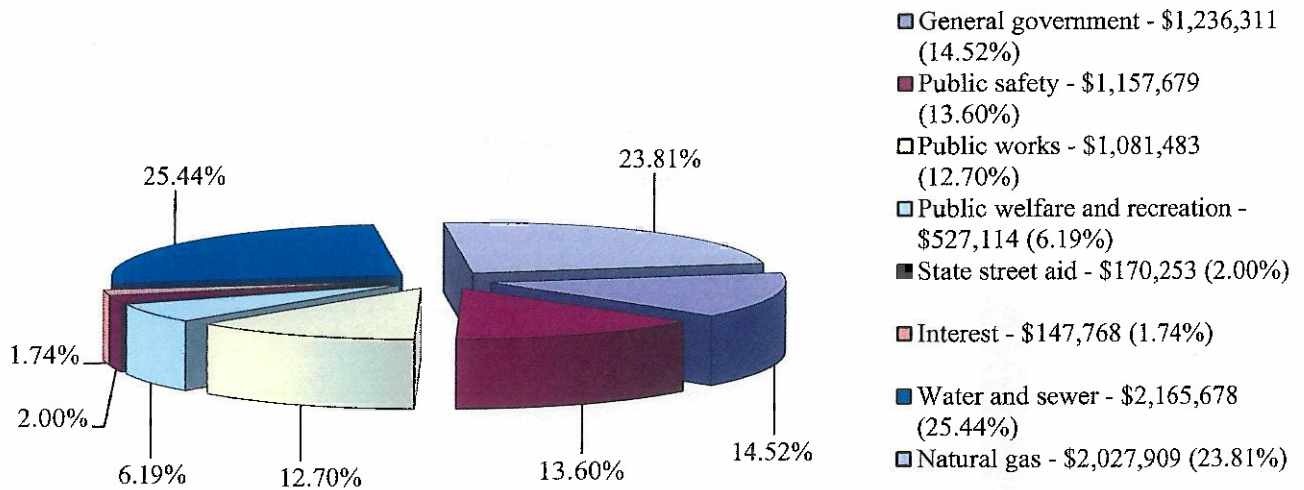
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 570,408	\$ 481,109	\$ 4,377,330	\$ 4,104,899	\$ 4,947,738	\$ 4,586,008
Operating grants and contributions	186,710	178,355	198,827	-	385,537	178,355
Capital grants and contributions	250,633	98,063	-	-	250,633	98,063
General revenues:						
Property taxes	694,294	652,784	-	-	694,294	652,784
Other taxes	2,461,074	2,389,122	-	-	2,461,074	2,389,122
Other	466,890	77,500	13,230	5,717	480,120	83,217
Total revenues	4,630,009	3,876,933	4,589,387	4,110,616	9,219,396	7,987,549
Expenses:						
General government	1,236,311	1,552,226	-	-	1,236,311	1,552,226
Public safety	1,157,679	1,155,007	-	-	1,157,679	1,155,007
Public works	1,081,483	1,125,855	-	-	1,081,483	1,125,855
Public welfare and recreation	527,114	246,747	-	-	527,114	246,747
State street aid	170,253	68,544	-	-	170,253	68,544
Interest on long-term debt	147,768	61,014	-	-	147,768	61,014
Water and sewer	-	-	2,165,678	2,211,803	2,165,678	2,211,803
Natural gas	-	-	2,027,909	1,756,968	2,027,909	1,756,968
Total expenses	4,320,608	4,209,393	4,193,587	3,968,771	8,514,195	8,178,164
Change in net position	309,401	(332,460)	395,800	141,845	705,201	(190,615)
Net position - beginning	3,494,798	3,827,258	7,692,605	7,550,760	11,187,403	11,378,018
Net position - end	\$ 3,804,199	\$ 3,494,798	\$ 8,088,405	\$ 7,692,605	\$ 11,892,604	\$ 11,187,403

The graphs below summarize the \$9,219,396 of city-wide revenue by source and the associated \$8,514,195 of expense by program. The graphs combine data from both governmental and business-type activities.

City-Wide Sources of Revenue



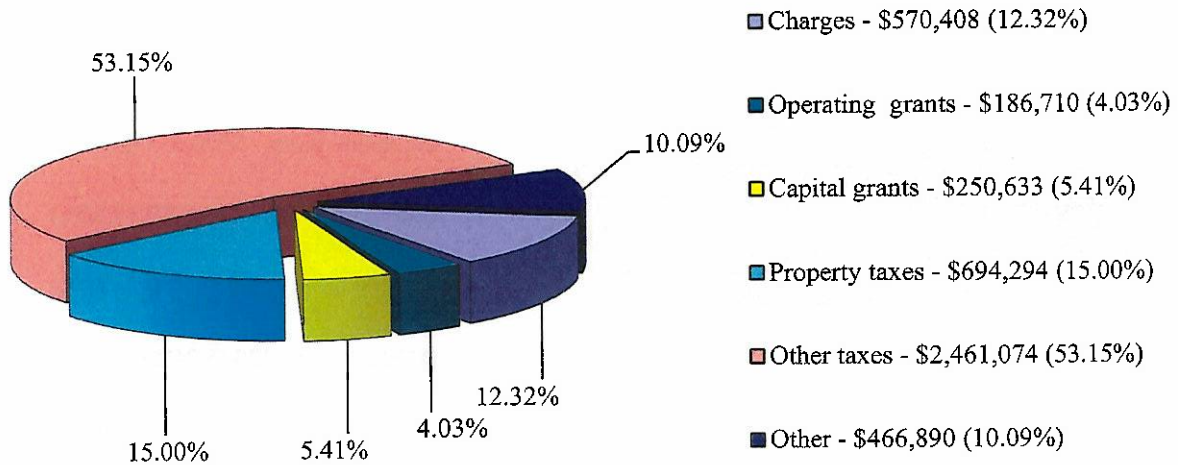
City-Wide Program Expenses



Governmental Activities

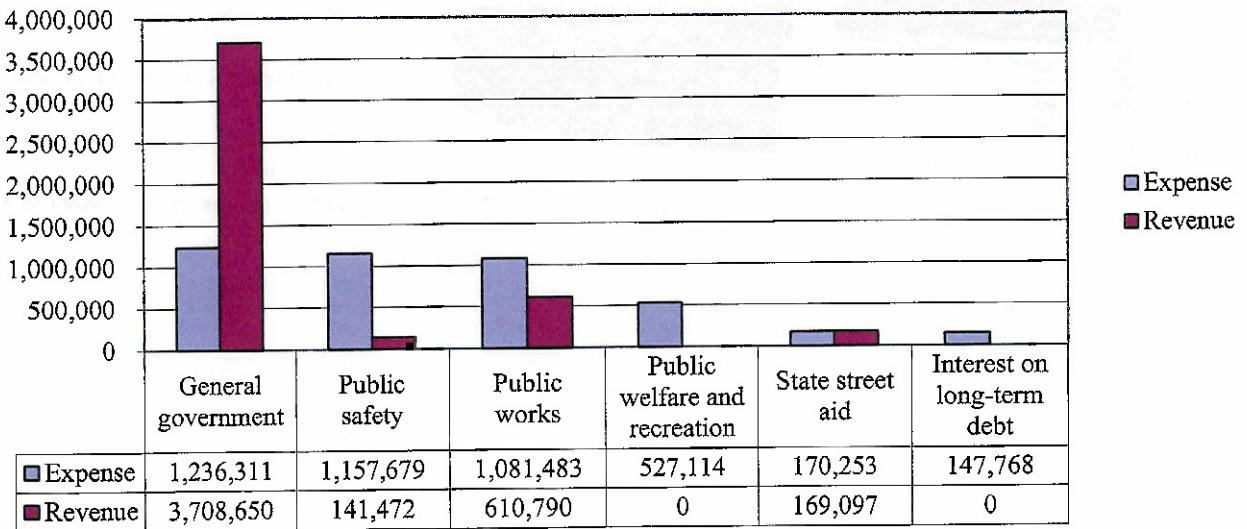
Governmental activities accounted for revenues of \$4,630,009. The following graph summarizes revenue by source.

**Revenue by Source -
Governmental Activities**



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

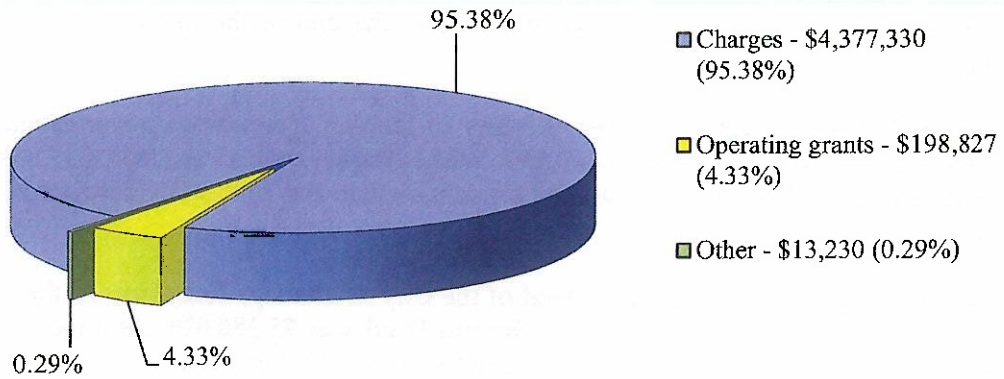
**Expenses and Program Revenues -
Governmental Activities**



Business-type Activities

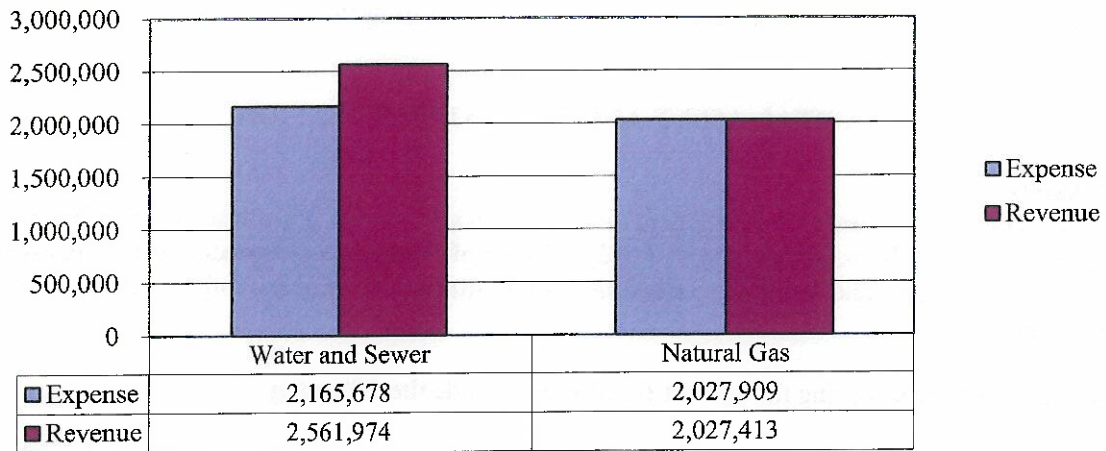
Business-type activities account for revenues of \$4,589,387. The following graph summarizes the revenue by source.

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



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

Expenses and Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Dunlap, Tennessee's governmental funds reported combined ending fund balances of \$5,649,559. Within the governmental funds, \$31,884 is restricted for drug fund expenditures, \$34,074 is restricted for debt service and \$196,973 is restricted for state street aid expenditures.

The General Fund is the chief operating fund of the City of Dunlap, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,386,628. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 133.84% of total fund expenditures, excluding transfers.

Proprietary Funds

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

Unrestricted net position at the end of the year amounted to \$1,696,211 for the Water and Sewer Fund, and \$640,751 for the Natural Gas Fund.

General Fund Budgetary Highlights

No budget amendments were considered necessary.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Dunlap, Tennessee's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$17,573,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, infrastructure, landfill and lines and extensions.

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

Solar panels	\$ 306,252
2019 Chevy Tahoe	\$ 44,696
Smart meters	\$ 35,870
2019 Ford F350	\$ 37,463
2019 Chevy Silverado	\$ 23,816

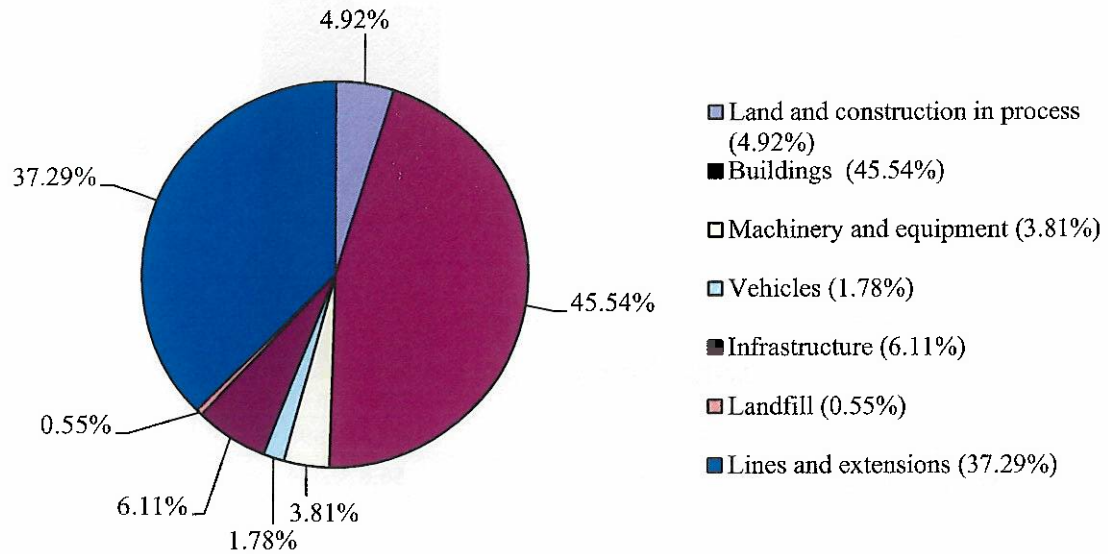
The table below summarizes the City's investment in capital assets and is broken down by governmental and business-type activities.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land and construction in process	\$ 548,792	\$ 315,724	\$ 864,516
Buildings	2,526,930	5,475,634	8,002,564
Machinery and equipment	151,938	517,269	669,207
Vehicles	226,339	86,215	312,554
Infrastructure	1,073,749	-	1,073,749
Landfill	95,969	-	95,969
Lines and extensions	-	6,554,674	6,554,974
	<u>\$ 4,623,717</u>	<u>\$ 12,949,516</u>	<u>\$ 17,573,233</u>

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

City-Wide Capital Assets



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

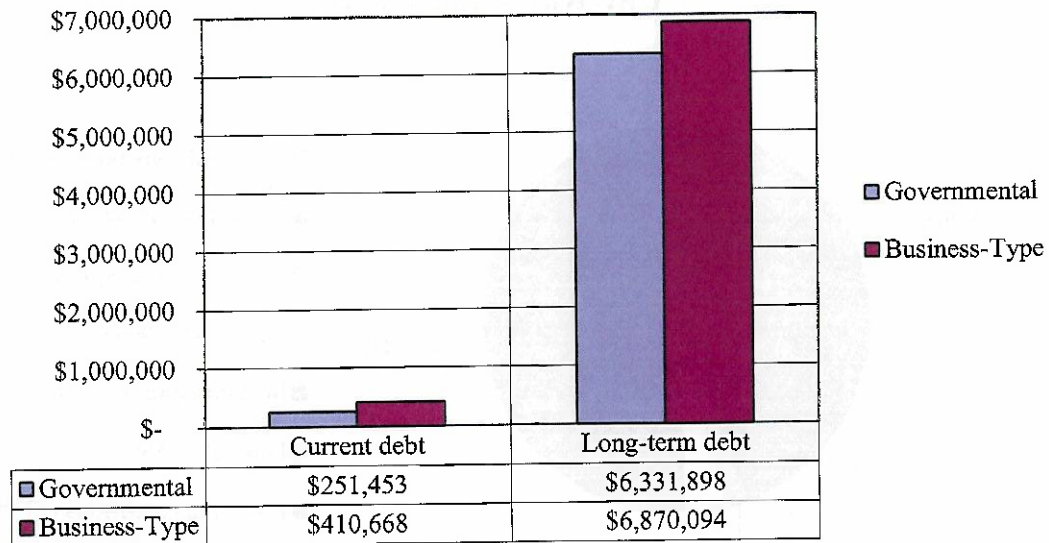
City of Dunlap, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Dunlap, Tennessee had total long-term debt outstanding of \$13,864,113. Of that amount, \$662,121 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 6,384,914	\$ 7,198,073	\$ 13,582,987
Landfill post-closure-estimate	31,173	-	31,173
Compensated absences	<u>167,264</u>	<u>82,689</u>	<u>249,953</u>
	6,583,351	7,280,762	13,864,113
Less current portion	<u>(251,453)</u>	<u>(410,668)</u>	<u>(662,121)</u>
Total long-term debt	<u>\$ 6,331,898</u>	<u>\$ 6,870,094</u>	<u>\$ 13,201,992</u>

As shown in the graph below, long-term debt is attributed greatly to the City's water and sewer and natural gas funds. Long-term debt of governmental activities only accounts for 52.52% of total long-term debt.

Long-Term Debt By Activity



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

Currently Known Conditions

The Coops Creek Phase II is the continuation of the Phase 1 project. The project will entail continuing the 10' wide asphalt walking trail with Boardwalks and Bridges following the former railroad line from Coops Creek to the campus of the Sequatchie County Schools. The campus will provide a trail head to house basic parking and a focal point of the trail. Bids for the project were requested and came in at substantially more than originally budgeted. Tennessee Department of Transportation (TDOT), the grantor agency, increased the scope of the project and increased project funding to \$1,532,813.63 with the City share being \$306,562.72. The City share will be funded by issuance of Bonds and/or Capital Outlay Notes. The low bid was accepted and work began in spring of 2019. Work will continue with estimated completion in the summer of 2020.

The Dunlap Streetscape Project Phase II is the construction of streetscape improvements from Rankin Avenue/Church Street intersection to the Spring Street/Cherry Street intersection. The project includes ADA upgrades, landscaping, signage, pedestrian lighting and pedestrian amenities. The project design is completed. Permits and easements are being obtained so that bidding can let with construction beginning sometime late in 2020.

The Harris Park Phase II is continued improvements to the City of Dunlap Harris Park. The amenities will include construction of a splash pad, landscaping and public bathrooms. Splash pad equipment has been ordered and bids let for the landscaping and site preparation. Construction was completed in December of 2019 with the splash pad opening in spring of 2020.

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

The City of Dunlap received a \$50,000 grant from the Tennessee Wildlife Resources Agency (TWRA) for the construction of boat launch near the Dunlap Waterworks water intake site. The City has acquired additional property at the site which will also provide parking for users of the boat launch. Permits and Environmental review is in process and additional grants have been received from two foundations.

The City of Dunlap Water and Sewer system has been awarded a Community Development Block Grant (CDBG) for improvement to its water loss detection capabilities. The project entails engineering, design, installation of zone meters for pinpointing water loss areas, leak detection and calibration of existing master meters. The project has just finished installation of zone meters and the construction replacement of an old water main in a residential area near the downtown will begin in summer of 2020.

Requests for Information

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

(BLANK PAGE)

BASIC FINANCIAL STATEMENTS

CITY OF DUNLAP, TENNESSEE
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash	\$ 5,162,358	\$ 1,730,839	\$ 6,893,197
Investments	115,815	245,468	361,283
Property taxes receivable - net	880,632	-	880,632
Accounts receivable - net	25,246	319,016	344,262
Grants receivable	122,381	15,044	137,425
Internal balances	(1,703)	1,703	-
Due from other governments	420,730	-	420,730
Inventory	-	268,635	268,635
Total current assets	<u>6,725,459</u>	<u>2,580,705</u>	<u>9,306,164</u>
Non-current assets			
Restricted assets	-	469,347	469,347
Other assets	-	20	20
Capital assets			
Land and construction in process	548,792	315,724	864,516
Other capital assets - net of accumulated depreciation	4,074,925	12,633,792	16,708,717
Total capital assets	<u>4,623,717</u>	<u>12,949,516</u>	<u>17,573,233</u>
Total non-current assets	<u>4,623,717</u>	<u>13,418,883</u>	<u>18,042,600</u>
TOTAL ASSETS	<u>\$ 11,349,176</u>	<u>\$ 15,999,588</u>	<u>\$ 27,348,764</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 317,389</u>	<u>\$ 259,682</u>	<u>\$ 577,071</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 100,900	\$ 248,608	\$ 349,508
Payable to pension plan	25,197	-	25,197
Accrued liabilities	45,630	34,335	79,965
Accrued interest	42,707	140,984	183,691
Bonds payable - due in one year	215,601	394,129	609,730
Landfill post closure liability - estimate - due in one year	2,399	-	2,399
Compensated absences - due in one year	33,453	16,539	49,992
Total current liabilities	<u>465,887</u>	<u>834,595</u>	<u>1,300,482</u>
Non-current liabilities			
Bonds payable	6,169,313	6,803,944	12,973,257
Landfill post-closure liability - estimate	28,774	-	28,774
Compensated absences	133,811	66,150	199,961
Customer deposits	-	232,420	232,420
Net pension liability	76,577	62,651	139,228
Total non-current liabilities	<u>6,408,475</u>	<u>7,165,165</u>	<u>13,573,640</u>
TOTAL LIABILITIES	<u>\$ 6,874,362</u>	<u>\$ 7,999,760</u>	<u>\$ 14,874,122</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 778,880	\$ -	\$ 778,880
Deferred inflows related to pensions	209,124	171,105	380,229
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 988,004</u>	<u>\$ 171,105</u>	<u>\$ 1,159,109</u>
NET POSITION			
Net investment in capital assets	\$ (1,792,370)	\$ 5,751,443	\$ 3,959,073
Restricted for state street aid expenditures	196,973	-	196,973
Restricted for non-recurring police expenditures	31,884	-	31,884
Restricted for debt service	34,074	-	34,074
Unrestricted	5,333,638	2,336,962	7,670,600
TOTAL NET POSITION	<u>\$ 3,804,199</u>	<u>\$ 8,088,405</u>	<u>\$ 11,892,604</u>

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

CITY OF DUNLAP, TENNESSEE
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government						
Government activities:						
General government	\$ 1,236,311	\$ 86,392	\$ -	\$ -	\$ (1,149,919)	\$ (1,149,919)
Public safety	1,157,679	124,489	8,052	8,931	(1,016,207)	(1,016,207)
Public works	1,081,483	359,527	9,561	241,702	(470,693)	(470,693)
Public welfare and recreation	527,114	-	-	-	(527,114)	(527,114)
State street aid	170,253	-	169,097	-	(1,156)	(1,156)
Interest on long-term debt	147,768	-	-	-	(147,768)	(147,768)
Total governmental activities	4,320,608	570,408	186,710	250,633	(3,312,857)	(3,312,857)
Business-type activities:						
Water and sewer	2,165,678	2,357,067	198,827	-	-	390,216
Natural gas	2,027,909	2,020,263	-	-	-	(7,646)
Total business-type activities	4,193,587	4,377,330	198,827	-	-	382,570
Total primary government	\$ 8,514,195	\$ 4,947,738	\$ 385,537	\$ 250,633	(3,312,857)	(2,930,287)
General revenues:						
Real property tax					694,294	694,294
Public utility tax					46,284	46,284
Minimum business tax					104,625	104,625
Local sales tax					1,515,254	1,515,254
Local beer tax					249,348	249,348
Other state taxes					545,563	545,563
Interest revenue					3,006	16,236
Miscellaneous					463,884	463,884
Total general revenues					3,622,258	3,635,488
Change in net position					309,401	705,201
Net position - beginning					3,494,798	11,187,403
Net position - end					\$ 3,804,199	\$ 11,892,604

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

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 5,126,400	\$ 35,958	\$ 5,162,358
Investments	85,815	30,000	115,815
Property taxes receivable - net	880,632	-	880,632
Accounts receivable - net	25,246	-	25,246
Grant receivable	122,381	-	122,381
Due from other funds	30,049	72,756	102,805
Due from other governments	420,730	-	420,730
TOTAL ASSETS	<u>\$ 6,691,253</u>	<u>\$ 138,714</u>	<u>\$ 6,829,967</u>
LIABILITIES			
Accounts payable	\$ 100,900	\$ -	\$ 100,900
Payable to pension plan	25,197	-	25,197
Accrued liabilities	45,630	-	45,630
Accrued interest	-	42,707	42,707
Due to other funds	74,459	30,049	104,508
TOTAL LIABILITIES	<u>\$ 246,186</u>	<u>\$ 72,756</u>	<u>\$ 318,942</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	<u>\$ 861,466</u>	<u>\$ -</u>	<u>\$ 861,466</u>
FUND BALANCES			
Restricted	\$ 196,973	\$ 65,958	\$ 262,931
Unassigned	5,386,628	-	5,386,628
TOTAL FUND BALANCES	<u>\$ 5,583,601</u>	<u>\$ 65,958</u>	<u>\$ 5,649,559</u>

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

CITY OF DUNLAP, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances per governmental funds balance sheet	\$ 5,649,559
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,623,717
Long-term liabilities, including bonds payable, compensated absences and landfill closure costs and post-closure costs are not due and payable in the current period and, therefore, are not reported in the funds.	(6,583,351)
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	31,688
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>82,586</u>
Net position of governmental activities	<u>\$ 3,804,199</u>

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

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,440,390	\$ -	\$ 2,440,390
License and permits	3,630	-	3,630
Intergovernmental	1,148,194	-	1,148,194
Charges for services	85,172	359,527	444,699
Fines and forfeitures	98,152	26,337	124,489
Other revenues	<u>461,792</u>	<u>2,687</u>	<u>464,479</u>
TOTAL REVENUES	<u>4,237,330</u>	<u>388,551</u>	<u>4,625,881</u>
EXPENDITURES			
Current expenditures			
General government	1,131,344	3,292	1,134,636
Public safety	1,107,353	3,714	1,111,067
Public works	870,376	397,892	1,268,268
Public welfare and recreation	483,983	-	483,983
State street aid	170,253	-	170,253
Capital outlay	261,360	619	261,979
Debt service	<u>-</u>	<u>271,185</u>	<u>271,185</u>
TOTAL EXPENDITURES	<u>4,024,669</u>	<u>676,702</u>	<u>4,701,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>212,661</u>	<u>(288,151)</u>	<u>(75,490)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	2,975,000	-	2,975,000
Transfers in	-	308,772	308,772
Transfers out	<u>(308,772)</u>	<u>-</u>	<u>(308,772)</u>
Total other financing sources (uses)	<u>2,666,228</u>	<u>308,772</u>	<u>2,975,000</u>
Net changes in fund balances	2,878,889	20,621	2,899,510
Fund balances - beginning	<u>2,704,712</u>	<u>45,337</u>	<u>2,750,049</u>
Fund balances - end	<u>\$ 5,583,601</u>	<u>\$ 65,958</u>	<u>\$ 5,649,559</u>

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

CITY OF DUNLAP, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

Net change in fund balances for total governmental funds	\$ 2,899,510
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	144,619
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	4,127
Repayment of long-term debt is reported as an expenditure in governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position.	123,417
Bonds issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Position. During the current year additional loan proceeds were drawn on bonds payable.	(2,975,000)
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	134,231
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Accrued vacation	<u>(21,503)</u>
Change in net position of governmental activities	<u>\$ 309,401</u>

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

CITY OF DUNLAP, TENNESSEE

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Real property	\$ 743,150	\$ 743,150	\$ 690,167	\$ (52,983)
Public utility	-	-	46,284	46,284
Minimum business	109,000	109,000	104,625	(4,375)
Local option sales tax	570,000	570,000	576,241	6,241
Local sales	930,000	930,000	939,013	9,013
Local beer	83,400	83,400	84,060	660
Total taxes	<u>2,435,550</u>	<u>2,435,550</u>	<u>2,440,390</u>	<u>4,840</u>
License and permits				
Building permits	<u>5,000</u>	<u>5,000</u>	<u>3,630</u>	<u>(1,370)</u>
Intergovernmental				
State shared				
Sales tax	417,500	417,500	429,764	12,264
Beer tax	197,300	197,300	165,288	(32,012)
Income tax	30,000	30,000	40,721	10,721
Excise tax	11,500	11,500	18,036	6,536
Gas and motor fuel tax	175,000	175,000	169,097	(5,903)
Streets and transportation	9,800	9,800	9,561	(239)
TVA replacement	55,000	55,000	57,042	2,042
Federal grants	1,986,228	1,986,228	250,633	(1,735,595)
Police supplemental	<u>9,900</u>	<u>9,900</u>	<u>8,052</u>	<u>(1,848)</u>
Total intergovernmental	<u>2,892,228</u>	<u>2,892,228</u>	<u>1,148,194</u>	<u>(1,744,034)</u>
Charges for services				
Beer license and fees	5,800	5,800	11,270	5,470
Rent of facilities	<u>73,000</u>	<u>73,000</u>	<u>73,902</u>	<u>902</u>
Total charges for services	<u>78,800</u>	<u>78,800</u>	<u>85,172</u>	<u>6,372</u>
Fines and forfeitures				
Court fines and fees	<u>78,000</u>	<u>78,000</u>	<u>98,152</u>	<u>20,152</u>

(Continued)

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

CITY OF DUNLAP, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Other revenues				
Miscellaneous	\$ 39,900	\$ 39,900	\$ 58,559	\$ 18,659
Donation	19,500	19,500	19,500	-
Reimbursements	3,700	3,700	373,501	369,801
Interest	315	315	2,718	2,403
Cable TV franchise	15,000	15,000	7,514	(7,486)
Total other revenues	<u>78,415</u>	<u>78,415</u>	<u>461,792</u>	<u>383,377</u>
TOTAL REVENUES	<u>5,567,993</u>	<u>5,567,993</u>	<u>4,237,330</u>	<u>(1,330,663)</u>
EXPENDITURES				
Current expenditures				
General government				
Financial administration				
Salaries	496,542	496,542	463,277	33,265
Payroll taxes	37,129	37,129	35,687	1,442
Employee benefits	145,192	145,192	137,438	7,754
Advertising	7,500	7,500	4,954	2,546
Auditing and legal services	36,500	36,500	26,667	9,833
Contracts	20,000	20,000	14,692	5,308
Donations	111,718	111,718	111,691	27
Donation to IDB	165,300	165,300	-	165,300
Economic development	9,000	9,000	9,000	-
Election	10,500	10,500	6,906	3,594
Insurance	36,500	36,500	37,913	(1,413)
Miscellaneous	2,200	2,200	1,265	935
Office supplies	25,900	25,900	17,195	8,705
Other fees, billings and refunds	28,000	28,000	39,926	(11,926)
Professional services	18,000	18,000	15,283	2,717
Repairs and maintenance	59,200	59,200	29,217	29,983
Telephone	12,500	12,500	13,614	(1,114)
Training and travel	14,700	14,700	4,022	10,678
Uniforms	3,000	3,000	283	2,717
Utilities	38,000	38,000	31,221	6,779
Vehicle expense	9,350	9,350	7,450	1,900
Total financial administration	<u>1,286,731</u>	<u>1,286,731</u>	<u>1,007,701</u>	<u>279,030</u>

(Continued)

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

CITY OF DUNLAP, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
General government (Continued)				
Judicial				
Salaries	\$ 84,330	\$ 84,330	\$ 78,136	\$ 6,194
Payroll taxes	3,900	3,900	5,888	(1,988)
Employee benefits	22,310	22,310	15,897	6,413
Insurance	400	400	211	189
Miscellaneous	700	700	650	50
Office supplies	1,750	1,750	593	1,157
Other fees, billings and refunds	20,000	20,000	17,654	2,346
Professional services	4,000	4,000	4,455	(455)
Training and travel	1,750	1,750	159	1,591
Uniforms	500	500	-	500
Total judicial	<u>139,640</u>	<u>139,640</u>	<u>123,643</u>	<u>15,997</u>
Total general government	<u>1,426,371</u>	<u>1,426,371</u>	<u>1,131,344</u>	<u>295,027</u>
Public safety				
Police department				
Salaries	594,536	594,536	585,623	8,913
Payroll taxes	45,674	45,674	44,498	1,176
Employee benefits	219,004	219,004	200,929	18,075
Contracts	8,300	8,300	10,204	(1,904)
Insurance	53,325	53,325	55,432	(2,107)
Miscellaneous	7,500	7,500	7,729	(229)
Office supplies	11,250	11,250	10,608	642
Other fees, billings and refunds	300	300	58	242
Repairs and maintenance	7,600	7,600	2,273	5,327
Supplies	4,000	4,000	4,021	(21)
Telephone	8,700	8,700	7,658	1,042
Training and travel	10,000	10,000	10,415	(415)
Uniforms	11,500	11,500	9,495	2,005
Utilities	10,000	10,000	8,804	1,196
Vehicle expense	38,600	38,600	36,812	1,788
Total police department	<u>1,030,289</u>	<u>1,030,289</u>	<u>994,559</u>	<u>35,730</u>

(Continued)

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

CITY OF DUNLAP, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety (Continued)				
Fire department				
Contracts	\$ 21,850	\$ 21,850	\$ 13,823	\$ 8,027
Insurance	21,375	21,375	20,075	1,300
Miscellaneous	1,000	1,000	246	754
Office supplies	2,450	2,450	1,139	1,311
Other fees, billings and refunds	1,500	1,500	2,094	(594)
Repairs and maintenance	14,000	14,000	11,533	2,467
Supplies	4,500	4,500	2,178	2,322
Telephone	4,200	4,200	1,940	2,260
Training and travel	5,500	5,500	6,054	(554)
Uniforms	28,000	28,000	23,181	4,819
Utilities	4,200	4,200	3,447	753
Vehicle expense	44,600	44,600	27,084	17,516
Total fire department	<u>153,175</u>	<u>153,175</u>	<u>112,794</u>	<u>40,381</u>
Total public safety	<u>1,183,464</u>	<u>1,183,464</u>	<u>1,107,353</u>	<u>76,111</u>
Public works				
Street department				
Salaries	113,076	113,076	105,849	7,227
Payroll taxes	8,651	8,651	7,903	748
Employee benefits	26,168	26,168	48,298	(22,130)
Insurance	19,300	19,300	15,482	3,818
Miscellaneous	1,250	1,250	418	832
Supplies	1,173,395	1,173,395	499,313	674,082
Telephone	1,000	1,000	338	662
Training and travel	500	500	757	(257)
Uniforms	750	750	-	750
Vehicle expense	10,600	10,600	11,634	(1,034)
Total street department	<u>1,354,690</u>	<u>1,354,690</u>	<u>689,992</u>	<u>664,698</u>

(Continued)

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

CITY OF DUNLAP, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works (Continued)				
Maintenance				
Salaries	\$ 128,695	\$ 128,695	\$ 125,433	\$ 3,262
Payroll taxes	6,592	6,592	6,223	369
Employee benefits	38,702	38,702	36,693	2,009
Insurance	5,400	5,400	5,155	245
Miscellaneous	100	100	20	80
Office supplies	1,200	1,200	106	1,094
Repairs and maintenance	1,100	1,100	2,873	(1,773)
Supplies	2,400	2,400	799	1,601
Telephone	1,000	1,000	895	105
Training and travel	800	800	749	51
Uniforms	250	250	-	250
Vehicle expense	2,750	2,750	1,438	1,312
Total maintenance	<u>188,989</u>	<u>188,989</u>	<u>180,384</u>	<u>8,605</u>
Total public works	<u>1,543,679</u>	<u>1,543,679</u>	<u>870,376</u>	<u>673,303</u>
Public welfare and recreation				
Parks				
Salaries	62,447	62,447	38,474	23,973
Payroll taxes	4,778	4,778	2,943	1,835
Employee benefits	16,705	16,705	9,143	7,562
Contracts	3,000	3,000	3,180	(180)
Events	45,000	45,000	40,174	4,826
Harris City Park	854,560	854,560	362,010	492,550
Historical Preservation	9,700	9,700	-	9,700
Insurance	4,500	4,500	1,184	3,316
Miscellaneous	500	500	388	112
Office supplies	2,600	2,600	1,482	1,118
Repairs and maintenance	19,950	19,950	7,879	12,071
Supplies	4,100	4,100	2,879	1,221
Telephone	1,200	1,200	1,093	107
Training and travel	1,700	1,700	692	1,008
Uniforms	500	500	-	500
Utilities	11,800	11,800	8,021	3,779
Vehicle expense	9,550	9,550	4,441	5,109
Total public welfare and recreation	<u>1,052,590</u>	<u>1,052,590</u>	<u>483,983</u>	<u>568,607</u>

(Continued)

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

CITY OF DUNLAP, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
State street aid				
Gravel, culverts, concrete repair	\$ 20,000	\$ 20,000	\$ 20,255	\$ (255)
Other street materials	3,050	3,050	1,130	1,920
Repairs and maintenance	18,000	18,000	5,640	12,360
Signs purchased	3,500	3,500	1,645	1,855
Street lighting	50,000	50,000	50,936	(936)
Street paving and repair	150,000	150,000	90,647	59,353
Total state street aid	<u>244,550</u>	<u>244,550</u>	<u>170,253</u>	<u>74,297</u>
Capital outlay				
General government	86,350	86,350	51,532	34,818
Judicial department	3,500	3,500	313	3,187
Police department	68,050	68,050	59,020	9,030
Fire department	101,000	101,000	34,421	66,579
Parks department	30,400	30,400	19,570	10,830
Street department	1,204,029	1,204,029	93,835	1,110,194
Maintenance department	2,755	2,755	2,669	86
Total capital outlay	<u>1,496,084</u>	<u>1,496,084</u>	<u>261,360</u>	<u>1,234,724</u>
TOTAL EXPENDITURES	<u>6,946,738</u>	<u>6,946,738</u>	<u>4,024,669</u>	<u>2,922,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,378,745)</u>	<u>(1,378,745)</u>	<u>212,661</u>	<u>1,591,406</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	2,975,000	2,975,000
Transfers out	(227,700)	(227,700)	(308,772)	(81,072)
Total other financing sources (uses)	<u>(227,700)</u>	<u>(227,700)</u>	<u>2,666,228</u>	<u>2,893,928</u>
Net changes in fund balances	(1,606,445)	(1,606,445)	2,878,889	4,485,334
Fund balances - beginning	<u>2,704,712</u>	<u>2,704,712</u>	<u>2,704,712</u>	<u>-</u>
Fund balances - end	<u>\$ 1,098,267</u>	<u>\$ 1,098,267</u>	<u>\$ 5,583,601</u>	<u>\$ 4,485,334</u>

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

CITY OF DUNLAP, TENNESSEE
Proprietary Funds
Statement of Net Position
June 30, 2019

	Enterprise		Totals
	Water and Sewer Fund	Natural Gas Fund	
ASSETS			
Current assets			
Cash	\$ 1,082,773	\$ 648,066	\$ 1,730,839
Investments	220,159	25,309	245,468
Accounts receivable - net	275,284	43,732	319,016
Grants receivable	15,044	-	15,044
Due from other funds	30,916	6,341	37,257
Inventory	76,846	191,789	268,635
Total current assets	<u>1,701,022</u>	<u>915,237</u>	<u>2,616,259</u>
Non-current assets			
Restricted assets			
Bond sinking fund - cash	-	20,247	20,247
Bond sinking fund - investments	449,100	-	449,100
Total restricted assets	<u>449,100</u>	<u>20,247</u>	<u>469,347</u>
Other assets			
Security deposit	-	20	20
Capital assets			
Land and construction in progress	315,724	-	315,724
Other capital assets - net of accumulated depreciation	11,293,255	1,340,537	12,633,792
Total capital assets	<u>11,608,979</u>	<u>1,340,537</u>	<u>12,949,516</u>
Total non-current assets	<u>12,058,079</u>	<u>1,360,804</u>	<u>13,418,883</u>
TOTAL ASSETS	<u>\$ 13,759,101</u>	<u>\$ 2,276,041</u>	<u>\$ 16,035,142</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 161,578</u>	<u>\$ 98,104</u>	<u>\$ 259,682</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 187,225	\$ 61,383	\$ 248,608
Accrued liabilities	25,272	9,063	34,335
Accrued interest	26,536	114,448	140,984
Due to other funds	35,554	-	35,554
Bonds payable - due in one year	239,129	155,000	394,129
Compensated absences - due in one year	8,935	7,604	16,539
Total current liabilities	<u>522,651</u>	<u>347,498</u>	<u>870,149</u>
Non-current liabilities			
Bonds payable	5,855,944	948,000	6,803,944
Compensated absences	35,736	30,414	66,150
Customer deposits	150,785	81,635	232,420
Net pension liability	38,981	23,670	62,651
Total non-current liabilities	<u>6,081,446</u>	<u>1,083,719</u>	<u>7,165,165</u>
TOTAL LIABILITIES	<u>\$ 6,604,097</u>	<u>\$ 1,431,217</u>	<u>\$ 8,035,314</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 106,465</u>	<u>\$ 64,640</u>	<u>\$ 171,105</u>
NET POSITION			
Net investment in capital assets	\$ 5,513,906	\$ 237,537	\$ 5,751,443
Unrestricted	1,696,211	640,751	2,336,962
TOTAL NET POSITION	<u>\$ 7,210,117</u>	<u>\$ 878,288</u>	<u>\$ 8,088,405</u>

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

CITY OF DUNLAP, TENNESSEE
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019

	<u>Water and Sewer</u>	<u>Enterprise</u>	
	<u>Fund</u>	<u>Natural Gas</u>	<u>Totals</u>
	<u>Fund</u>	<u>Fund</u>	
OPERATING REVENUES			
Water sales and sewer charges	\$ 2,154,958	\$ -	\$ 2,154,958
Gas sales	-	1,989,886	1,989,886
Customer penalties	1,638	1,947	3,585
Connection fees	52,916	14,149	67,065
Other operating	<u>147,555</u>	<u>14,281</u>	<u>161,836</u>
Total operating revenues	<u>2,357,067</u>	<u>2,020,263</u>	<u>4,377,330</u>
OPERATING EXPENSES			
Purchased gas	-	864,889	864,889
Transmission and treatment	213,187	-	213,187
Operating and maintenance	699,436	571,618	1,271,054
Administration	411,675	392,060	803,735
Depreciation	<u>615,803</u>	<u>147,609</u>	<u>763,412</u>
Total operating expenses	<u>1,940,101</u>	<u>1,976,176</u>	<u>3,916,277</u>
Operating income (loss)	<u>416,966</u>	<u>44,087</u>	<u>461,053</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	6,080	7,150	13,230
Interest expense	(225,577)	(51,733)	(277,310)
Intergovernmental revenue	<u>198,827</u>	<u>-</u>	<u>198,827</u>
Total non-operating revenues (expenses)	<u>(20,670)</u>	<u>(44,583)</u>	<u>(65,253)</u>
Changes in net position	396,296	(496)	395,800
Net position - beginning	<u>6,813,821</u>	<u>878,784</u>	<u>7,692,605</u>
Net position - end	<u>\$ 7,210,117</u>	<u>\$ 878,288</u>	<u>\$ 8,088,405</u>

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

CITY OF DUNLAP, TENNESSEE

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019

	Enterprise		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 2,257,755	\$ 2,022,192	\$ 4,279,947
Payments to suppliers	(1,002,319)	(1,264,303)	(2,266,622)
Payments to employees	(561,096)	(589,217)	(1,150,313)
Net cash provided (used) by operating activities	<u>694,340</u>	<u>168,672</u>	<u>863,012</u>
Cash Flows from Non-capital Financing Activities			
Increase (decrease) in due to other funds	<u>(18,369)</u>	<u>(5,505)</u>	<u>(23,874)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds of capital grants	198,827	-	198,827
Principal paid on bonds and notes	(254,396)	(150,000)	(404,396)
Interest paid on bonds and notes	(225,577)	(51,733)	(277,310)
Acquisition and construction of capital assets	(379,856)	(71,636)	(451,492)
Net cash provided (used) by capital and related financing activities	<u>(661,002)</u>	<u>(273,369)</u>	<u>(934,371)</u>
Cash Flows from Investing Activities			
Interest payments received	6,080	7,150	13,230
Purchase of investments	(2,289)	(7)	(2,296)
Net cash provided (used) by investing activities	<u>3,791</u>	<u>7,143</u>	<u>10,934</u>
Net increase (decrease) in cash	18,760	(103,059)	(84,299)
Cash - beginning	<u>1,064,013</u>	<u>771,372</u>	<u>1,835,385</u>
Cash - end	<u>\$ 1,082,773</u>	<u>\$ 668,313</u>	<u>\$ 1,751,086</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	<u>\$ 416,966</u>	<u>\$ 44,087</u>	<u>\$ 461,053</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	615,803	147,609	763,412
Increase (decrease) in net pension liability	(169,283)	(102,778)	(272,061)
Increase (decrease) in deferred inflows related to pensions	89,741	54,485	144,226
(Increase) decrease in deferred outflows related to pensions	11,206	6,803	18,009
(Increase) decrease in accounts receivable	(84,268)	1,929	(82,339)
(Increase) decrease in grants receivable	(15,044)	-	(15,044)
(Increase) decrease in inventories	(9,476)	(24,307)	(33,783)
Increase (decrease) in accounts payable	(160,404)	31,767	(128,637)
Increase (decrease) in accrued liabilities	310	504	814
Increase (decrease) in accrued interest	14,104	11,433	25,537
Increase (decrease) in customer deposits	(3,060)	(5,110)	(8,170)
Increase (decrease) in compensated absences	(12,255)	2,250	(10,005)
Total adjustments	<u>277,374</u>	<u>124,585</u>	<u>401,959</u>
Net cash provided (used) by operating activities	<u>\$ 694,340</u>	<u>\$ 168,672</u>	<u>\$ 863,012</u>
Cash			
Cash	\$ 1,082,773	\$ 648,066	\$ 1,730,839
Bond sinking fund - cash	<u>-</u>	<u>20,247</u>	<u>20,247</u>
Total	<u>\$ 1,082,773</u>	<u>\$ 668,313</u>	<u>\$ 1,751,086</u>

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

CITY OF DUNLAP, TENNESSEE
Notes to Financial Statements
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

Joint Venture

Sequatchie/Bledsoe County Landfill

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

Related Organization

The Industrial Development Board of the City of Dunlap, Tennessee

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements

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

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

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

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

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

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

The City reports the following major governmental fund:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The City reports the following major enterprise funds:

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

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

C. Measurement Focus - Basis of Accounting

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

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

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

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

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

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

During the year, no supplementary appropriations were necessary.

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

E. Cash and Cash Equivalents

Cash consists of cash on hand and on deposit with financial institutions. These are classified on the Statement of Net Position as "Cash" and "Restricted Assets". At June 30, 2019, the City had no cash equivalents. For purposes of reporting cash on the Statement of Cash Flows, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

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

Bonds, notes or treasury bills of the United States.

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

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

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

The Local Government Investment Pool created by Title 9.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Taxes

Property taxes are levied by the City on January 1st on property value assessed for that calendar year. The billings are mailed October 1st and are considered due upon receipt by the taxpayer, however, the actual due date is based on a period ending approximately 60 days after calendar year end. On this date, March 1st, the bill becomes delinquent and penalties and interest may be assessed. Property taxes levied by the City are assessed by the Tax Assessor of Sequatchie County, Tennessee and are collected by the City. Property taxes are recognized on the accrual basis in the government-wide financial statements, and in the governmental funds, they are recognized on the modified accrual basis. Proper allowances are made for estimated uncollectible and delinquent accounts when necessary. The tax rate for the 2019 levy is \$0.826 per \$100 of assessed valuation and the tax rate for the 2018 levy is \$0.789 per \$100 of assessed valuation.

Property taxes for the 2019 levy are considered to be owed to the City as of the lien date on January 1, 2019. Therefore, the entire 2019 levy was recorded as a receivable and deferred revenue as of June 30, 2019, in both the government-wide financial statements and in the governmental fund statements.

H. Interfund Transactions

Interfund Receivables and Payables

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

Transactions between Funds

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

I. Prepayment of Expenditures

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

J. Inventories

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

K. Restricted Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets

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

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

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

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

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

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

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

O. Long-term Obligations

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

P. Pensions

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

Q. Net Position

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

R. Fund Balance

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance (Continued)

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

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

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

S. Estimates

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

T. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2019, and April 10, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to it. The City does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2019, the carrying amount of the City's deposits was \$7,593,228, and the bank balance was \$7,876,080. None of the City's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

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

Cash	\$ 6,893,197
Investments	361,283
Restricted assets	<u>469,347</u>
	7,723,827
Less: petty cash	(800)
Less: Local Government Investment Pool (LGIP)	<u>(129,799)</u>
Total	<u>\$ 7,593,228</u>

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments

The City's investments are carried at fair value, and consist of certificates-of-deposit and investments in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2019. The Weighted Average Maturity of the LGIP had a range of 1 to 86 days of June 30, 2019. The City's investments are listed on the Statement of Net Position as follows:

Investments	\$ 361,283
Restricted assets	<u>469,347</u>
	830,630
Less: restricted cash	<u>(20,247)</u>
Total	<u>\$ 810,383</u>

NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes receivable as of June 30, 2019, consist of the following:

<u>Year of Levy</u>	
2019	\$ 778,880
2018	78,354
2017	22,262
2016	14,622
2015	10,420
2014	5,334
2013	3,636
2012	2,667
2011	1,425
2010	<u>2,258</u>
	919,858
Less: allowance for uncollectibles	<u>(39,226)</u>
Property taxes receivable - net	<u>\$ 880,632</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net at June 30, 2019, consists of the following:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Total</u>
Customer receivables	\$ -	\$ 293,584	\$ 46,034	\$ 339,618
Less: allowance for doubtful accounts	-	(18,300)	(2,302)	(20,602)
Local beer and liquor tax	23,159	-	-	23,159
Other	<u>2,087</u>	-	-	<u>2,087</u>
Total	<u>\$ 25,246</u>	<u>\$ 275,284</u>	<u>\$ 43,732</u>	<u>\$ 344,262</u>

Bad debt expense was \$0 for the year ended June 30, 2019.

NOTE 9 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 104,646	\$ -	\$ -	\$ -	\$ 104,646
Construction in process	<u>1,292,217</u>	<u>297,635</u>	<u>-</u>	<u>(1,378,774)</u>	<u>211,078</u>
Total capital assets not being depreciated	<u>1,396,863</u>	<u>297,635</u>	<u>-</u>	<u>(1,378,774)</u>	<u>315,724</u>
Capital assets being depreciated:					
Buildings	8,214,701	-	-	1,378,774	9,593,475
Machinery and equipment	1,821,422	68,956	(10,976)	-	1,879,402
Vehicles	753,090	84,901	-	-	837,991
Lines and extensions	<u>15,535,930</u>	<u>-</u>	<u>(39,060)</u>	<u>-</u>	<u>15,496,870</u>
Total capital assets being depreciated	<u>26,325,143</u>	<u>153,857</u>	<u>(50,036)</u>	<u>1,378,774</u>	<u>27,807,738</u>
Less accumulated depreciation for:					
Buildings	3,861,619	256,222	-	-	4,117,841
Machinery and equipment	1,255,357	117,752	(10,976)	-	1,362,133
Vehicles	719,335	32,441	-	-	751,776
Lines and extensions	<u>8,624,259</u>	<u>356,997</u>	<u>(39,060)</u>	<u>-</u>	<u>8,942,196</u>
Total accumulated depreciation	<u>14,460,570</u>	<u>763,412</u>	<u>(50,036)</u>	<u>-</u>	<u>15,173,946</u>
Total capital assets being depreciated - net	<u>11,864,573</u>	<u>(609,555)</u>	<u>-</u>	<u>1,378,774</u>	<u>12,633,792</u>
Business-type activities capital assets - net	<u>\$13,261,436</u>	<u>\$(311,920)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,949,516</u>

NOTE 10 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2019, consists of the following:

Beginning balance	\$ 617,091
2019 contribution	333,498
Difference in actuarial experience	(34,311)
2018 contributions	(316,781)
Difference in investment earnings	(80,831)
Changes in assumptions	(22,426)
Netting cumulative investment earnings for presentation purposes	<u>80,831</u>
Total	<u>\$ 577,071</u>

NOTE 11 - LONG-TERM DEBT

A. Governmental Debt

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

	<u>Principal Balance</u>
Landfill Post-closure Liability - estimate	\$ 31,173
2019 General Obligation Bond, original amount \$2,975,000 at 3.125%, maturing 6/1/2044	2,975,000
Tennessee Municipal Bonds 2002, original amount \$1,214,018 at 0.28%, maturing 5/25/2019	-
2017 General Obligation Bond, original amount \$1,850,000 at 2% - 4%, maturing 3/1/2039	1,850,000
2017B General Obligation Bond, original amount \$940,066 at 2% - 3%, maturing 3/1/2036	940,066
2017C General Obligation Bond, original amount \$619,848 at 2.65% - 4%, maturing 3/1/2036	619,848
Compensated absences	<u>167,264</u>
	6,583,351
Less: current portion of governmental long-term debt	<u>(251,453)</u>
 Total governmental long-term debt	 <u>\$ 6,331,898</u>

A summary of changes in governmental long-term debt not including land fill post-closure and compensated absences for the year ended June 30, 2019, are as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
General obligation bonds	\$ 3,530,932	\$2,975,000	\$ (121,018)	\$ 6,384,914	\$ 215,601
Direct borrowings and direct placements	-	-	-	-	-
 Total	 <u>\$ 3,530,932</u>	 <u>\$2,975,000</u>	 <u>\$ (121,018)</u>	 <u>\$ 6,384,914</u>	 <u>\$ 215,601</u>

The Series 2017, 2017B, 2017C and 2019 General Obligation Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. The City's full faith and credit are irrevocably pledged as collateral. If in default and there are insufficient funds from ad valorem taxes, the principal and interest will be paid from the current funds of the City.

The City does not have unused lines of credit.

NOTE 11 - LONG-TERM DEBT (Continued)

A. Governmental Debt (Continued)

Government fund debt service requirements to maturity, including interest of \$2,477,066 are as follows:

Year ended June 30	General Obligation Bonds		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 215,601	\$ 202,498	\$ -	\$ -	\$ 418,099
2021	223,843	193,692	-	-	417,535
2022	234,118	184,846	-	-	418,964
2023	239,118	175,654	-	-	414,772
2024	252,360	166,212	-	-	418,572
2025-2029	1,370,915	717,168	-	-	2,088,083
2030-2034	1,581,789	506,622	-	-	2,088,411
2035-2039	1,472,170	255,010	-	-	1,727,180
2040-2044	<u>795,000</u>	<u>75,364</u>	-	-	<u>870,364</u>
Total	<u>\$6,384,914</u>	<u>\$2,477,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,861,980</u>

Note: The above debt service requirements schedule does not include landfill post-closure and compensated absences.

Interest paid during the year ended June 30, 2019 on governmental debt was \$147,768.

B. Business-Type Debt Payable

Water and Sewer Fund

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

Water and Sewer Revenue Refunding bonds, Series 2007, 3.65% - 3.85%, due 1-1-2019	Principal Balance
	\$ -
Water and Sewer Revenue and Tax bonds, Series 2009, 3.50%, due 2047	454,987
Water and Sewer General Obligation Refunding Bonds, Series 2014, 2.0% to 4.0%, due 2039	4,225,000
2017B General Obligation Bond, original amount \$509,934 at 2% - 3%, maturing 3/1/2036	509,934
2017C General Obligation Bond, original amount \$905,152 at 2.65% - 4%, maturing 3/1/2036	905,152
Compensated absences	<u>44,671</u>
	6,139,744
Less: current portion of water and sewer long-term debt	<u>(248,064)</u>
Total water and sewer long-term debt	<u>\$ 5,891,680</u>

NOTE 11 - LONG-TERM DEBT (Continued)

B. Business-Type Debt Payable (Continued)

Water and Sewer Fund (Continued)

A summary of changes in water and sewer long-term debt not including compensated absences for the year ended June 30, 2019, are as follows:

	Balance			Amount	
	July 1, 2018	Additions	Retirements	Balance	Due Within
				June 30, 2019	One Year
General obligation bonds	\$ 5,885,086	\$ -	\$ (245,000)	\$ 5,640,086	\$ 229,399
Direct borrowings and placements	464,383	-	(9,396)	454,987	9,730
Total	<u>\$ 6,349,469</u>	<u>\$ -</u>	<u>\$ (254,396)</u>	<u>\$ 6,095,073</u>	<u>\$ 239,129</u>

The Series 2014, 2017B and 2017C General Obligation Bonds have the same terms as the governmental debt's General Obligation Bonds but are also payable from, but not secured by, the income and revenues derived from the operation of the water and sewer system.

The Series 2009 General Obligation Bond is a direct borrowing, with the same terms as listed above.

Water and Sewer debt service requirements to maturity, including interest of \$2,454,584 are as follows:

Year ended June 30	General Obligation Bonds		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 229,399	\$ 189,023	\$ 9,730	\$ 15,746	\$ 443,898
2021	236,157	183,192	10,076	15,400	444,825
2022	245,883	177,214	10,435	15,041	448,573
2023	250,883	170,968	10,806	14,670	447,327
2024	252,641	164,611	11,190	14,286	442,728
2025-2029	1,404,088	705,498	62,211	65,169	2,236,966
2030-2034	1,618,212	452,938	74,090	53,290	2,198,530
2035-2039	1,402,823	152,125	88,237	39,143	1,682,328
2040-2044	-	-	105,084	22,296	127,380
2045-2047	-	-	73,128	3,974	77,102
Total	<u>\$ 5,640,086</u>	<u>\$2,195,569</u>	<u>\$ 454,987</u>	<u>\$ 259,015</u>	<u>\$ 8,549,657</u>

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

Interest paid during the year ended June 30, 2019, on water and sewer long-term debt was \$225,577.

NOTE 11 - LONG-TERM DEBT (Continued)

B. Business-Type Debt Payable (Continued)

Natural Gas Fund

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

	<u>Principal Balance</u>
Natural gas revenue bond, Series 1964, 5.25%, matured and unrepresented	\$ 63,000
Natural gas revenue and tax bond, Series 2017, 2.00% to 4.00%, due 6/30/2025	1,040,000
Compensated absences	<u>38,018</u>
	1,141,018
Less: current portion of natural gas long-term debt	<u>(162,604)</u>
 Total natural gas long-term debt	 <u>\$ 978,414</u>

A summary of changes in natural gas long-term debt, not including compensated absences, for the year ended June 30, 2019, are as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
Revenue bonds	\$ 1,253,000	\$ -	\$(150,000)	\$ 1,103,000	\$ 155,000
Direct borrowings and direct placements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 1,253,000</u>	 <u>\$ -</u>	 <u>\$(150,000)</u>	 <u>\$ 1,103,000</u>	 <u>\$ 155,000</u>

The Series 1964 and 2017 bonds have the same terms as the governmental debt's General Obligation Bonds but are also payable from, but not secured by, the income and revenues derived from the operation of the natural gas system.

Natural gas debt service requirements to maturity, including interest of \$109,600 are as follows:

<u>Year ended June 30</u>	<u>Revenue Bonds</u>		<u>Direct Borrowings and Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 155,000	\$ 34,300	\$ -	\$ -	\$ 189,300
2021	160,000	28,100	-	-	188,100
2022	180,000	21,700	-	-	201,700
2023	180,000	14,500	-	-	194,500
2024	180,000	7,300	-	-	187,300
2025	<u>185,000</u>	<u>3,700</u>	<u>-</u>	<u>-</u>	<u>188,700</u>
 Total	 <u>\$1,040,000</u>	 <u>\$ 109,600</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,149,600</u>

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

Interest paid during the year ended June 30, 2019 on natural gas debt was \$51,733.

NOTE 12 - LANDFILL CLOSURE AND POST-CLOSURE COSTS

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

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

Closure and post-closure care costs include:

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

The estimated total current cost of closure and post-closure care of the Sequatchie/Bledsoe County Landfill is \$144,990. The City of Dunlap’s share of the estimated total current cost of closure and post-closure, based upon population percentages, would be 21.5%, or \$31,173. This amount has been recorded as a liability in the Statement of Net Position.

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

NOTE 13 - NET PENSION LIABILITY

Net pension liability at June 30, 2019, consists of the following:

Beginning balance	\$ 743,807
Employer contributions made during 2018	(316,781)
Pension expense	89,441
Difference in actuarial experience	(327,249)
Difference in investment earnings	(27,564)
Changes in assumptions	<u>(22,426)</u>
Total	<u>\$ 139,228</u>

NOTE 14 - DEFERRED REVENUE - PROPERTY TAXES

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 82,586</u>	<u>\$ 778,880</u>	<u>\$ 861,466</u>

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

NOTE 15 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2019, consists of the following:

Beginning balance	\$ 59,727
Netting cumulative investment earnings for presentation purposes	80,831
Difference in investment earnings	(53,267)
Difference in actuarial experience	<u>292,938</u>
Total	<u>\$ 380,229</u>

NOTE 16 - NET POSITION RESTRICTIONS

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

State street aid funds in the amount of \$196,973 are legally restricted for state street aid expenditures.

Drug funds in the amount of \$31,884 are legally restricted for non-recurring police expenditures.

Debt service funds in the amount of \$34,074 are legally restricted for the payment of principal and interest on long-term debt.

NOTE 17 - FUND BALANCES

Fund balances are as follows:

Restricted: \$196,973 is legally restricted for state street aid expenditures, \$31,884 is legally restricted for non-recurring police expenditures and \$34,074 is legally restricted for the payment of principal and interest on long-term debt.

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

NOTE 18 - TRANSFERS

Interfund operating transfers for the current year were as follows:

	<u>Transfers from:</u>
<u>Transfers to:</u>	<u>General</u>
Solid Waste Fund	\$ 38,365
Debt Service Fund	<u>270,407</u>
Total	<u>\$308,772</u>

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

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

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

The governmental fund balance includes a reconciliation between fund balance - total governmental funds, and net position - government activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including bonds payable, compensated absences, and landfill closure and post-closure costs are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(6,583,351) difference are as follows:

Bonds payable	\$(6,384,914)
Landfill post-closure liability - estimate	(31,173)
Compensated absences	<u>(167,264)</u>
Net adjustment	<u>\$(6,583,351)</u>

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$31,688 difference are as follows:

Deferred outflows related to pensions	\$ 317,389
Net pension liability	(76,577)
Deferred inflows related to pensions	<u>(209,124)</u>
Net adjustment	<u>\$ 31,688</u>

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

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$144,619 difference are as follows:

Depreciation expense	\$(278,260)
Capital outlay	<u>422,879</u>
Net adjustment	<u>\$ 144,619</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$123,417 difference are as follows:

Landfill post-closure cost	\$ 2,399
2002 TML bond	<u>121,018</u>
Net adjustment	<u>\$ 123,417</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$134,231 difference are as follows:

Pension expense	\$(49,193)
Contributions	<u>183,424</u>
Net adjustment	<u>\$ 134,231</u>

NOTE 20 - RISK MANAGEMENT POOL

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

NOTE 20 - RISK MANAGEMENT POOL (Continued)

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

Coverages are as follows:

Property	\$ 32,892,512
Workers compensation	\$ 300,000 per accident
	\$ 700,000 policy limit
	\$ 300,000 per employee
Liability	\$ 1,000,000 each other loss per occurrence

The responsibilities of the City are as follows:

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

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

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

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

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

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

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

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

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

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

NOTE 20 - RISK MANAGEMENT POOL (Continued)

The responsibilities of the Pool are as follows:

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

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

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

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2019. No provision has been made in the financial statements for the year ended June 30, 2019, for any estimate of potential unpaid claims.

NOTE 21 - COMMERCIAL INSURANCE

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

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

The City's accounting records were not closed within 60 days. Expenditures in the Debt Service Fund exceeded the amount budgeted by \$44,502.

NOTE 23 - EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan description

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

NOTE 23 - EMPLOYEE PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits provided (Continued)

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

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

Employees covered by benefit terms

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>51</u>
Total employees	<u>106</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Dunlap makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the employer contributions for Dunlap were \$333,498 based on a rate of 14.23 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Dunlap's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pension liabilities (assets)

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

NOTE 23 - EMPLOYEE PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial assumptions

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

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

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

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

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

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

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

NOTE 23 - EMPLOYEE PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

Discount rate

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/17	\$ 6,282,124	\$ 5,538,317	\$ 743,807
Changes for the year:			
Service cost	176,680	-	176,680
Interest	460,956	-	460,956
Differences between expected an actual experience	(354,035)	-	(354,035)
Changes in assumptions	-	-	-
Contributions - employer	-	316,781	(316,781)
Contributions - employees	-	107,457	(107,457)
Net investment income	-	468,755	(468,755)
Benefit payments, including refunds of employee contributions	(201,568)	(201,568)	-
Administrative expense	-	(4,813)	4,813
Other changes	-	-	-
Net changes	<u>82,033</u>	<u>686,612</u>	<u>(604,579)</u>
Balances at 6/30/18	<u>\$ 6,364,157</u>	<u>\$ 6,224,929</u>	<u>\$ 139,228</u>

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	Dunlap's net pension liability (asset)	\$ 1,031,790	\$ 139,228

NOTE 23 - EMPLOYEE PENSION PLAN (Continued)

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

Pension expense (negative pension expense)

For the year ended June 30, 2019, Dunlap recognized pension expense (negative pension expense) of \$89,441.

Deferred outflows of resources and deferred inflows of resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 131,446	\$ 345,539
Net difference between projected and actual earnings on pension plan investments	-	34,690
Changes in assumptions	112,127	-
Contributions subsequent to the measurement date of June 30, 2018	<u>333,498</u>	<u>(not applicable)</u>
Total	<u>\$ 577,071</u>	<u>\$ 380,229</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:

2020	\$ 27,388
2021	\$ (19,848)
2022	\$ (53,443)
2023	\$ (35,878)
2024	\$ (14,293)
Thereafter	\$ (50,576)

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

Payable to the Pension Plan

At June 30, 2019, Dunlap reported a payable of \$25,197 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

NOTE 24 - LITIGATION AND CLAIMS

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

NOTE 25 - CONTINGENCIES

As of June 30, 2019, the City did not have any material contingent liabilities.

NOTE 26 - DEFINED CONTRIBUTION PLAN

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

(BLANK PAGE)

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF DUNLAP, TENNESSEE
Schedule of Changes in Net Position Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
June 30, 2019

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Total pension liability</u>					
Service cost	\$ 137,855	\$ 142,045	\$ 138,816	\$ 167,632	\$ 176,680
Interest	339,302	374,617	393,334	425,618	460,956
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	157,218	(84,164)	5,612	96,996	(354,035)
Change of assumptions	-	-	-	156,979	-
Benefit payments, including refunds of employee contributions	<u>(103,422)</u>	<u>(231,956)</u>	<u>(127,481)</u>	<u>(144,756)</u>	<u>(201,568)</u>
Net change in total pension liability	530,953	200,542	410,281	702,469	82,033
Total pension liability - beginning	<u>4,437,879</u>	<u>4,968,832</u>	<u>5,169,374</u>	<u>5,579,655</u>	<u>6,282,124</u>
Total pension liability - ending (a)	<u>\$ 4,968,832</u>	<u>\$ 5,169,374</u>	<u>\$ 5,579,655</u>	<u>\$ 6,282,124</u>	<u>\$ 6,364,157</u>
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 224,294	\$ 236,690	\$ 248,293	\$ 303,561	\$ 316,781
Contributions - employee	91,103	92,893	97,447	110,467	107,457
Net investment income	578,616	129,728	119,278	550,257	468,755
Benefit payments, including refunds of employee contributions	(103,422)	(231,956)	(127,481)	(144,756)	(201,568)
Administrative expense	(1,758)	(2,365)	(3,732)	(4,452)	(4,813)
Other	-	-	-	-	-
Net change in plan fiduciary net position	788,833	224,990	333,805	815,077	686,612
Plan fiduciary net position - beginning	<u>3,375,612</u>	<u>4,164,445</u>	<u>4,389,435</u>	<u>4,723,240</u>	<u>5,538,317</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,164,445</u>	<u>\$ 4,389,435</u>	<u>\$ 4,723,240</u>	<u>\$ 5,538,317</u>	<u>\$ 6,224,929</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 804,387</u>	<u>\$ 779,939</u>	<u>\$ 856,415</u>	<u>\$ 743,807</u>	<u>\$ 139,228</u>
Plan fiduciary net position as a percentage of total pension liability	83.81%	84.91%	84.65%	88.16%	97.81%
Covered payroll	\$ 1,822,045	\$ 1,857,854	\$ 1,948,926	\$ 2,209,324	\$ 2,149,128
Net pension liability (asset) as a percentage of covered payroll	44.15%	41.98%	43.94%	33.67%	6.48%

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

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

CITY OF DUNLAP, TENNESSEE
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of the TCRS
June 30, 2019

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 224,294	\$ 236,690	\$ 248,293	\$ 281,468	\$ 295,290	\$ 321,972
Contributions in relation to the actuarially determined contribution	<u>224,294</u>	<u>236,690</u>	<u>248,293</u>	<u>303,561</u>	<u>316,781</u>	<u>333,498</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,093)</u>	<u>\$ (21,491)</u>	<u>\$ (11,526)</u>
Covered payroll	\$ 1,822,045	\$ 1,857,854	\$ 1,948,926	\$ 2,209,324	\$ 2,149,128	\$ 2,343,322
Contributions as a percentage of covered payroll	12.31%	12.74%	12.74%	13.74%	14.74%	14.23%

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

CITY OF DUNLAP, TENNESSEE
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of the TCRS (Continued)
June 30, 2019

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustment	2.25 percent

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

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Solid Waste Fund:

This fund is used to account for the City's collection and disposal of solid waste. The City does not operate a solid waste disposal site.

Drug Fund:

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

Debt Service Funds

Debt Service:

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

CITY OF DUNLAP, TENNESSEE
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2019

	<u>Special Revenue</u>		<u>Debt Service</u>	Total Non-major Governmental Funds
	<u>Solid Waste Fund</u>	<u>Drug Fund</u>	<u>Debt Service Fund</u>	
ASSETS				
Cash	\$ -	\$ 31,884	\$ 4,074	\$ 35,958
Investments	-	-	30,000	30,000
Due from other funds	<u>30,049</u>	<u>-</u>	<u>42,707</u>	<u>72,756</u>
TOTAL ASSETS	<u>\$ 30,049</u>	<u>\$ 31,884</u>	<u>\$ 76,781</u>	<u>\$ 138,714</u>
LIABILITIES				
Accrued interest	\$ -	\$ -	\$ 42,707	\$ 42,707
Due to other funds	<u>30,049</u>	<u>-</u>	<u>-</u>	<u>30,049</u>
Total liabilities	<u>\$ 30,049</u>	<u>\$ -</u>	<u>\$ 42,707</u>	<u>\$ 72,756</u>
FUND BALANCES				
Restricted	<u>\$ -</u>	<u>\$ 31,884</u>	<u>\$ 34,074</u>	<u>\$ 65,958</u>

CITY OF DUNLAP, TENNESSEE
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019

	<u>Special Revenue</u>		<u>Debt Service</u>	Total Non-major Governmental Funds
	<u>Solid Waste Fund</u>	<u>Drug Fund</u>	<u>Debt Service Fund</u>	
REVENUES				
Charges for services	\$ 359,527	\$ -	\$ -	\$ 359,527
Fines and forfeitures	-	26,337	-	26,337
Other revenues	<u>2,399</u>	<u>283</u>	<u>5</u>	<u>2,687</u>
TOTAL REVENUES	<u>361,926</u>	<u>26,620</u>	<u>5</u>	<u>388,551</u>
EXPENDITURES				
Current expenditures				
General government	-	-	3,292	3,292
Public safety	-	3,714	-	3,714
Public works	397,892	-	-	397,892
Capital outlay	-	619	-	619
Debt service	<u>2,399</u>	<u>-</u>	<u>268,786</u>	<u>271,185</u>
TOTAL EXPENDITURES	<u>400,291</u>	<u>4,333</u>	<u>272,078</u>	<u>676,702</u>
Excess (deficiency) of revenues over (under) expenditures	(38,365)	22,287	(272,073)	(288,151)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>38,365</u>	<u>-</u>	<u>270,407</u>	<u>308,772</u>
Net changes in fund balances	-	22,287	(1,666)	20,621
Fund balances - beginning	<u>-</u>	<u>9,597</u>	<u>35,740</u>	<u>45,337</u>
Fund balances - end	<u>\$ -</u>	<u>\$ 31,884</u>	<u>\$ 34,074</u>	<u>\$ 65,958</u>

CITY OF DUNLAP, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services				
Rent of facilities	\$ 357,000	\$ 357,000	\$ 359,527	\$ 2,527
Other revenues				
Miscellaneous	-	-	2,399	2,399
TOTAL REVENUES	<u>357,000</u>	<u>357,000</u>	<u>361,926</u>	<u>4,926</u>
EXPENDITURES				
Current expenditures				
Public works				
Contract services - hauling	391,500	391,500	397,892	(6,392)
Debt service				
Principal	9,000	9,000	2,399	6,601
TOTAL EXPENDITURES	<u>400,500</u>	<u>400,500</u>	<u>400,291</u>	<u>209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,500)</u>	<u>(43,500)</u>	<u>(38,365)</u>	<u>5,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	38,365	38,365
Net changes in fund balances	(43,500)	(43,500)	-	43,500
Fund balances - beginning	-	-	-	-
Fund balances - end	<u>\$ (43,500)</u>	<u>\$ (43,500)</u>	<u>\$ -</u>	<u>\$ 43,500</u>

CITY OF DUNLAP, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Fines and forfeitures				
Fines and seizure	\$ 24,000	\$ 24,000	\$ 26,337	\$ 2,337
Other revenues				
Interest	-	-	283	283
TOTAL REVENUES	<u>24,000</u>	<u>24,000</u>	<u>26,620</u>	<u>2,620</u>
EXPENDITURES				
Current expenditures				
Public safety				
Drug enforcement	11,000	11,000	3,714	7,286
Capital outlay	2,800	2,800	619	2,181
TOTAL EXPENDITURES	<u>13,800</u>	<u>13,800</u>	<u>4,333</u>	<u>9,467</u>
Excess (deficiency) of revenues over (under) expenditures	10,200	10,200	22,287	12,087
Fund balances - beginning	<u>9,597</u>	<u>9,597</u>	<u>9,597</u>	<u>-</u>
Fund balances - end	<u>\$ 19,797</u>	<u>\$ 19,797</u>	<u>\$ 31,884</u>	<u>\$ 12,087</u>

CITY OF DUNLAP, TENNESSEE
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other revenues				
Interest	\$ 10	\$ 10	\$ 5	\$ (5)
TOTAL REVENUES	<u>10</u>	<u>10</u>	<u>5</u>	<u>(5)</u>
EXPENDITURES				
Current expenditures				
General government				
Other fees and billing	<u>2,200</u>	<u>2,200</u>	<u>3,292</u>	<u>(1,092)</u>
Debt service				
Interest	104,358	104,358	147,768	(43,410)
Principal	<u>121,018</u>	<u>121,018</u>	<u>121,018</u>	<u>-</u>
Total debt service	<u>225,376</u>	<u>225,376</u>	<u>268,786</u>	<u>(43,410)</u>
TOTAL EXPENDITURES	<u>227,576</u>	<u>227,576</u>	<u>272,078</u>	<u>(44,502)</u>
Excess (deficiency) of revenues over (under) expenditures	(227,566)	(227,566)	(272,073)	(44,507)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>227,700</u>	<u>227,700</u>	<u>270,407</u>	<u>42,707</u>
Net changes in fund balances	134	134	(1,666)	(1,800)
Fund balances - beginning	<u>35,740</u>	<u>35,740</u>	<u>35,740</u>	<u>-</u>
Fund balances - end	<u>\$ 35,874</u>	<u>\$ 35,874</u>	<u>\$ 34,074</u>	<u>\$ (1,800)</u>

(BLANK PAGE)

FINANCIAL SCHEDULES

CITY OF DUNLAP, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

<u>Federal Grantor/Pass - Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Grant/ Program Number</u>	<u>(Receivable) Deferred June 30, 2018</u>	<u>Grant/Loan Receipts</u>	<u>Grant/Loan Expenditures</u>	<u>(Receivable) Deferred June 30, 2019</u>
Federal			\$ -	\$ 183,783	\$ 198,827	\$ (15,044)
Department of Economic and Community Development	14.228	33004-93118				
Department of Transportation						
Tennessee Department of Transportation -						
Alcohol Countermeasures	20.607	Z-18-THS096	-	4,921	4,921	-
Alcohol Countermeasures	20.607	Z-19-THS082	-	1,479	4,010	(2,531)
Coops Creek II	20.205	TAP-7700(20)	-	64,424	116,424	(52,000)
Total Department of Transportation			-	70,824	125,355	(54,531)
Economic and Community Development						
2016 ARC Industrial Park	23.001	52050	(276)	92,404	92,128	-
Total Federal Awards			(276)	347,011	416,310	(69,575)
State						
Tennessee Department of Environment and Conservation						
Harris Park	-	50740	(57,500)	-	7,500	(65,000)
Tennessee Department of Transportation						
Multimodal	-	77LPLM50-007	-	22,800	25,650	(2,850)
Total State Awards			(57,500)	22,800	33,150	(67,850)
Total Federal and State Awards			\$ (57,776)	\$ 369,811	\$ 449,460	\$ (137,425)

CITY OF DUNLAP, TENNESSEE
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - INDIRECT COST RATE

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

CITY OF DUNLAP, TENNESSEE
Water and Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Water sales and sewer charges	\$ 2,300,300	\$ 2,300,300	\$ 2,154,958	\$ (145,342)
Customer penalties	2,500	2,500	1,638	(862)
Connection fees	52,000	52,000	52,916	916
Other operating	43,100	43,100	147,555	104,455
Total operating revenues	<u>2,397,900</u>	<u>2,397,900</u>	<u>2,357,067</u>	<u>(40,833)</u>
OPERATING EXPENSES				
Transmission and treatment	232,850	232,850	213,187	19,663
Operating and maintenance	1,046,720	1,046,720	699,436	347,284
Administration	558,570	558,570	411,675	146,895
Depreciation	-	-	615,803	(615,803)
Total operating expenses	<u>1,838,140</u>	<u>1,838,140</u>	<u>1,940,101</u>	<u>(101,961)</u>
Operating income (loss)	<u>559,760</u>	<u>559,760</u>	<u>416,966</u>	<u>(142,794)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	1,975	1,975	6,080	4,105
Interest expense	(422,800)	(422,800)	(225,577)	197,223
Bond issue	(43,200)	(43,200)	-	43,200
Intergovernmental revenue	-	-	198,827	198,827
Total non-operating revenues (expenses)	<u>(464,025)</u>	<u>(464,025)</u>	<u>(20,670)</u>	<u>443,355</u>
Changes in net position	95,735	95,735	396,296	300,561
Net position - beginning	<u>6,813,821</u>	<u>6,813,821</u>	<u>6,813,821</u>	<u>-</u>
Net position - end	<u>\$ 6,909,556</u>	<u>\$ 6,909,556</u>	<u>\$ 7,210,117</u>	<u>\$ 300,561</u>

CITY OF DUNLAP, TENNESSEE
Natural Gas Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Gas sales	\$ 2,079,600	\$ 2,079,600	\$ 1,989,886	\$ (89,714)
Customer penalties	500	500	1,947	1,447
Connection fees	12,500	12,500	14,149	1,649
Other operating	1,700	1,700	14,281	12,581
Total operating revenues	<u>2,094,300</u>	<u>2,094,300</u>	<u>2,020,263</u>	<u>(74,037)</u>
OPERATING EXPENSES				
Purchased gas	828,200	828,200	864,889	(36,689)
Operating and maintenance	614,677	614,677	571,618	43,059
Administration	460,378	460,378	392,060	68,318
Depreciation	-	-	147,609	(147,609)
Total operating expenses	<u>1,903,255</u>	<u>1,903,255</u>	<u>1,976,176</u>	<u>(72,921)</u>
Operating income (loss)	<u>191,045</u>	<u>191,045</u>	<u>44,087</u>	<u>(146,958)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	800	800	7,150	6,350
Interest expense	(190,300)	(190,300)	(51,733)	138,567
Total non-operating revenues (expenses)	<u>(189,500)</u>	<u>(189,500)</u>	<u>(44,583)</u>	<u>144,917</u>
Changes in net position	1,545	1,545	(496)	(2,041)
Net position - beginning	<u>878,784</u>	<u>878,784</u>	<u>878,784</u>	<u>-</u>
Net position - end	<u>\$ 880,329</u>	<u>\$ 880,329</u>	<u>\$ 878,288</u>	<u>\$ (2,041)</u>

CITY OF DUNLAP, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2019

<u>Year of Levy</u>	
2019	\$ 778,880
2018	78,354
2017	22,262
2016	14,622
2015	10,420
2014	5,334
2013	3,636
2012	2,667
2011	1,425
2010	<u>2,258</u>
	919,858
Less allowance for uncollectible	<u>(39,226)</u>
Property taxes receivable - net	<u>\$ 880,632</u>

CITY OF DUNLAP, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2019

	Taxes Receivable July 1, 2018	Taxes Levied	Pickups	Releases	Collections	Taxes Receivable June 30, 2019
2019	\$ -	\$ 778,880	\$ -	\$ -	\$ -	\$ 778,880
2018	730,156	-	2,152	-	(653,954)	78,354
2017	53,625	-	-	-	(31,363)	22,262
2016	26,790	-	-	-	(12,168)	14,622
2015	16,709	-	809	-	(7,098)	10,420
2014	8,031	-	92	-	(2,789)	5,334
2013	4,982	-	35	-	(1,381)	3,636
2012	3,963	-	83	-	(1,379)	2,667
2011	1,540	-	37	-	(152)	1,425
2010	2,536	-	-	-	(278)	2,258
2009	379	-	-	(379)	-	-
	<u>\$ 848,711</u>	<u>\$ 778,880</u>	<u>\$3,208</u>	<u>\$ (379)</u>	<u>\$ (710,562)</u>	<u>\$ 919,858</u>

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2019

LANDFILL POST-CLOSURE LIABILITY - ESTIMATE

<u>Maturing</u> <u>June 30,</u>	<u>Total</u> <u>Requirements</u>
2020	\$ 2,399
2021	2,399
2022	2,399
2023	2,399
2024	2,399
2025	2,399
2026	2,399
2027	2,399
2028	2,399
2029	2,399
2030	2,399
2031	2,399
2032	<u>2,385</u>
 Total	 <u>\$ 31,173</u>

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2019

GENERAL OBLIGATION BONDS
SERIES 2019 AT 3.125%

Maturing June 30,	Principal	Interest	Total Requirements
2020	\$ 75,000	\$ 99,262	\$ 174,262
2021	80,000	95,237	175,237
2022	80,000	91,238	171,238
2023	85,000	87,237	172,237
2024	90,000	82,988	172,988
2025	95,000	78,487	173,487
2026	100,000	74,688	174,688
2027	100,000	70,687	170,687
2028	105,000	68,188	173,188
2029	105,000	65,562	170,562
2030	110,000	62,413	172,413
2031	115,000	59,112	174,112
2032	115,000	55,663	170,663
2033	120,000	52,212	172,212
2034	125,000	48,613	173,613
2035	130,000	44,862	174,862
2036	130,000	40,963	170,963
2037	135,000	37,061	172,061
2038	140,000	33,013	173,013
2039	145,000	28,812	173,812
2040	150,000	24,463	174,463
2041	155,000	19,962	174,962
2042	160,000	15,313	175,313
2043	160,000	10,312	170,312
2044	170,000	5,314	175,314
Total	<u>\$2,975,000</u>	<u>\$1,351,662</u>	<u>\$ 4,326,662</u>

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2019

2017 GENERAL OBLIGATION BOND
2% TO 4%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 70,000	\$ 58,794	\$ 128,794
2021	70,000	55,994	125,994
2022	75,000	53,194	128,194
2023	75,000	50,194	125,194
2024	80,000	47,194	127,194
2025	80,000	45,594	125,594
2026	80,000	43,994	123,994
2027	85,000	42,094	127,094
2028	85,000	40,075	125,075
2029	90,000	37,525	127,525
2030	90,000	34,825	124,825
2031	95,000	32,125	127,125
2032	100,000	29,037	129,037
2033	100,000	25,787	125,787
2034	105,000	22,537	127,537
2035	105,000	19,125	124,125
2036	110,000	15,712	125,712
2037	115,000	12,137	127,137
2038	120,000	8,400	128,400
2039	<u>120,000</u>	<u>4,200</u>	<u>124,200</u>
Total	<u><u>\$1,850,000</u></u>	<u><u>\$ 678,537</u></u>	<u><u>\$ 2,528,537</u></u>

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2019

2017B GENERAL OBLIGATION BOND
2% TO 3%

Maturing June 30,	Principal	Interest	Total Requirements
2020	\$ 42,146	\$ 23,699	\$ 65,845
2021	45,388	22,856	68,244
2022	48,630	21,948	70,578
2023	48,630	20,976	69,606
2024	51,872	20,003	71,875
2025	51,872	18,966	70,838
2026	51,872	17,928	69,800
2027	55,114	16,892	72,006
2028	55,114	15,789	70,903
2029	55,114	14,686	69,800
2030	55,114	13,033	68,147
2031	58,356	11,379	69,735
2032	61,598	9,629	71,227
2033	61,598	7,781	69,379
2034	64,840	5,933	70,773
2035	64,840	3,988	68,828
2036	<u>67,968</u>	<u>2,042</u>	<u>70,010</u>
Total	<u>\$ 940,066</u>	<u>\$ 247,528</u>	<u>\$ 1,187,594</u>

CITY OF DUNLAP, TENNESSEE
Governmental Funds
Schedule of Debt Service Requirements
June 30, 2019

2017C GENERAL OBLIGATION BOND
2.65% TO 4%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 28,455	\$ 20,743	\$ 49,198
2021	28,455	19,605	48,060
2022	30,488	18,466	48,954
2023	30,488	17,247	47,735
2024	30,488	16,027	46,515
2025	34,553	15,219	49,772
2026	34,553	14,252	48,805
2027	34,553	13,250	47,803
2028	36,585	12,213	48,798
2029	36,585	11,079	47,664
2030	38,618	9,908	48,526
2031	40,650	8,653	49,303
2032	40,650	7,332	47,982
2033	40,650	6,011	46,661
2034	44,715	4,639	49,354
2035	44,715	3,130	47,845
2036	<u>44,647</u>	<u>1,565</u>	<u>46,212</u>
Total	<u>\$ 619,848</u>	<u>\$ 199,339</u>	<u>\$ 819,187</u>

CITY OF DUNLAP, TENNESSEE
Water and Sewer Fund
Schedule of Debt Service Requirements
June 30, 2019

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

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 9,730	\$ 15,746	\$ 25,476
2021	10,076	15,400	25,476
2022	10,435	15,041	25,476
2023	10,806	14,670	25,476
2024	11,190	14,286	25,476
2025	11,588	13,888	25,476
2026	12,000	13,476	25,476
2027	12,427	13,049	25,476
2028	12,869	12,607	25,476
2029	13,327	12,149	25,476
2030	13,801	11,675	25,476
2031	14,292	11,184	25,476
2032	14,800	10,676	25,476
2033	15,326	10,150	25,476
2034	15,871	9,605	25,476
2035	16,436	9,040	25,476
2036	17,020	8,456	25,476
2037	17,626	7,850	25,476
2038	18,253	7,223	25,476
2039	18,902	6,574	25,476
2040	19,574	5,902	25,476
2041	20,270	5,206	25,476
2042	20,991	4,485	25,476
2043	21,738	3,738	25,476
2044	22,511	2,965	25,476
2045	23,312	2,164	25,476
2046	24,141	1,335	25,476
2047	<u>25,675</u>	<u>475</u>	<u>26,150</u>
Total	<u>\$ 454,987</u>	<u>\$ 259,015</u>	<u>\$ 714,002</u>

CITY OF DUNLAP, TENNESSEE
Water and Sewer Fund
Schedule of Debt Service Requirements
June 30, 2019

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

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 165,000	\$ 145,887	\$ 310,887
2021	170,000	142,175	312,175
2022	175,000	138,350	313,350
2023	180,000	134,413	314,413
2024	180,000	130,363	310,363
2025	185,000	124,963	309,963
2026	195,000	119,413	314,413
2027	200,000	113,075	313,075
2028	205,000	106,575	311,575
2029	215,000	99,400	314,400
2030	220,000	91,875	311,875
2031	230,000	83,625	313,625
2032	235,000	75,000	310,000
2033	245,000	66,188	311,188
2034	225,000	57,000	282,000
2035	235,000	48,000	283,000
2036	245,000	38,600	283,600
2037	255,000	28,800	283,800
2038	265,000	18,600	283,600
2039	200,000	8,000	208,000
Total	<u>\$4,225,000</u>	<u>\$1,770,302</u>	<u>\$ 5,995,302</u>

CITY OF DUNLAP, TENNESSEE
Water and Sewer Fund
Schedule of Debt Service Requirements
June 30, 2019

2017B GENERAL OBLIGATION BOND
2% TO 3%

Maturing June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 22,854	\$ 12,851	\$ 35,705
2021	24,612	12,394	37,006
2022	26,370	11,902	38,272
2023	26,370	11,374	37,744
2024	28,128	10,847	38,975
2025	28,128	10,284	38,412
2026	28,128	9,722	37,850
2027	29,886	9,159	39,045
2028	29,886	8,561	38,447
2029	29,886	7,964	37,850
2030	29,886	7,067	36,953
2031	31,644	6,171	37,815
2032	33,402	5,221	38,623
2033	33,402	4,219	37,621
2034	35,160	3,217	38,377
2035	35,160	2,162	37,322
2036	37,032	1,108	38,140
Total	<u>\$ 509,934</u>	<u>\$ 134,223</u>	<u>\$ 644,157</u>

CITY OF DUNLAP, TENNESSEE
Water and Sewer Fund
Schedule of Debt Service Requirements
June 30, 2019

2017C GENERAL OBLIGATION BOND
2.65% TO 4%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 41,545	\$ 30,285	\$ 71,830
2021	41,545	28,623	70,168
2022	44,513	26,962	71,475
2023	44,513	25,181	69,694
2024	44,513	23,401	67,914
2025	50,448	22,221	72,669
2026	50,448	20,808	71,256
2027	50,448	19,345	69,793
2028	53,415	17,832	71,247
2029	53,415	16,176	69,591
2030	56,383	14,467	70,850
2031	59,350	12,634	71,984
2032	59,350	10,705	70,055
2033	59,350	8,776	68,126
2034	65,285	6,773	72,058
2035	65,284	4,570	69,854
2036	<u>65,347</u>	<u>2,285</u>	<u>67,632</u>
Total	<u>\$ 905,152</u>	<u>\$ 291,044</u>	<u>\$ 1,196,196</u>

CITY OF DUNLAP, TENNESSEE
Natural Gas Fund
Schedule of Debt Service Requirements
June 30, 2019

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

Due Date	Numbers	Total Requirements
1/1/1970	# 10-19	\$ 10,000
1/1/1971	# 20-29	10,000
1/1/1972	# 30-36	7,000
1/1/1977	# 99-116	18,000
1/1/1978	# 117-134	18,000
		\$ 63,000

(1) The location and owners of the bond numbers listed above are unknown, and they are still outstanding as of June 30, 2019.

CITY OF DUNLAP, TENNESSEE
Natural Gas Fund
Schedule of Debt Service Requirements
June 30, 2019

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

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 155,000	\$ 34,300	\$ 189,300
2021	160,000	28,100	188,100
2022	180,000	21,700	201,700
2023	180,000	14,500	194,500
2024	180,000	7,300	187,300
2025	<u>185,000</u>	<u>3,700</u>	<u>188,700</u>
 Total	 <u>\$ 1,040,000</u>	 <u>\$ 109,600</u>	 <u>\$ 1,149,600</u>

CITY OF DUNLAP, TENNESSEE
Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or		Outstanding 6/30/2019
							Matured During Period	Refunded During Period	
Governmental Activities									
Landfill Payable through Solid Waste Fund									
Landfill Post-Closure Liability - Estimate	\$ 69,557	0.00%	08/29/03	08/29/31	\$ 33,572	\$ -	\$ (2,399)	\$ -	\$ 31,173
Bonds Payable through Debt Service Fund									
General Obligation Bond, Series 2017	\$1,850,000	2% to 4%	03/01/18	03/01/39	\$1,850,000	\$ -	\$ -	\$ -	\$1,850,000
General Obligation Bond, Series 2017B	\$ 940,066	2% to 3%	10/05/17	03/01/36	940,066	-	-	-	940,066
General Obligation Bond, Series 2017C	\$ 619,848	2.65% to 4%	10/05/17	03/01/36	619,848	-	-	-	619,848
General Obligation Bond, Series 2019	\$2,975,000	3.125%	05/30/19	06/01/44	-	2,975,000	-	-	2,975,000
Tennessee Municipal Bonds, Series 2002	\$1,214,018	0.28%	05/25/02	05/25/19	121,018	-	(121,018)	-	-
Total Bonds Payable through Debt Service Fund					\$3,530,932	\$2,975,000	\$ (121,018)	\$ -	\$6,384,914
Business-Type Activities									
Bonds Payable through Water and Sewer Fund									
Revenue and Tax Bond, Series 2009	\$ 535,000	3.50%	12/18/18	12/18/46	\$ 464,383	\$ -	\$ (9,396)	\$ -	\$ 454,987
General Obligation Refunding Bond, Series 2014	\$5,055,000	2% to 4%	03/31/14	06/01/39	4,390,000	-	(165,000)	-	4,225,000
General Obligation Bond, Series 2017B	\$ 509,934	2% to 3%	10/05/17	03/01/36	509,934	-	-	-	509,934
General Obligation Bond, Series 2017C	\$ 905,152	2.65% to 4%	10/05/17	03/01/36	905,152	-	-	-	905,152
Refunding Bonds, Series 2007	\$ 770,000	3.65% to 3.85%	03/01/08	03/01/19	80,000	-	(80,000)	-	-
Total Bonds Payable through Water and Sewer Fund					\$6,349,469	\$ -	\$ (254,396)	\$ -	\$6,095,073
Bonds Payable through Natural Gas Fund									
Revenue Bonds, Series 1964	\$ 63,000	5.25%	01/01/70	01/01/78	\$ 63,000	\$ -	\$ -	\$ -	\$ 63,000
Revenue and Tax Bond, Series 2017	\$1,350,000	2% to 4%	03/01/18	06/30/25	1,190,000	-	(150,000)	-	1,040,000
Total Bonds Payable through Natural Gas Fund					\$1,253,000	\$ -	\$ (150,000)	\$ -	\$1,103,000

CITY OF DUNLAP, TENNESSEE
Proprietary Funds
Schedule of Operating Expenses
Year Ended June 30, 2019

	<u>Enterprise</u>		<u>Totals</u>
	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	
OPERATING EXPENSES			
Purchased gas	\$ -	\$ 864,889	\$ 864,889
Transmission and treatment			
Power	154,363	-	154,363
Chemicals and treatment	58,824	-	58,824
Total transmission and treatment	<u>213,187</u>	<u>-</u>	<u>213,187</u>
Operating and maintenance			
Salaries	510,905	451,634	962,539
Insurance	36,398	5,348	41,746
Meter repairs and purchases	589	11,903	12,492
Pipe, fittings, valves, etc.	36,651	27,946	64,597
Rent	36,000	36,000	72,000
Repairs and maintenance	24,922	5,580	30,502
Supplies	13,077	11,716	24,793
Training	19,466	3,696	23,162
Uniforms	-	460	460
Vehicle expense	21,428	17,335	38,763
Total operating and maintenance	<u>699,436</u>	<u>571,618</u>	<u>1,271,054</u>
Administration			
Salaries	50,191	137,583	187,774
Payroll taxes	47,299	31,405	78,704
Employee benefits	188,929	129,726	318,655
Advertising	160	12,244	12,404
Auditing and legal services	16,416	8,807	25,223
Inspection fees	14,279	-	14,279
Insurance	27,458	9,958	37,416
Miscellaneous	1,592	685	2,277
Office supplies	23,693	16,466	40,159
Other fees, billings and refunds	2,642	14,420	17,062
Professional services	16,947	17,927	34,874
Telephone	11,696	9,565	21,261
Travel	3,814	-	3,814
Utilities	6,559	3,274	9,833
Total administration	<u>411,675</u>	<u>392,060</u>	<u>803,735</u>
Depreciation	<u>615,803</u>	<u>147,609</u>	<u>763,412</u>
Total operating expenses	<u>\$ 1,940,101</u>	<u>\$ 1,976,176</u>	<u>\$ 3,916,277</u>

CITY OF DUNLAP, TENNESSEE
Tax Rates and Assessed Valuation Applicable to Last Ten Years and
Uncollected Delinquent Accounts
June 30, 2019

<u>Year of Levy</u>	<u>Per \$100</u>	<u>Values</u>	<u>Assessment</u>
2019	\$.826	\$ 94,295,424	\$ 778,880
2018	\$.789	\$ 92,814,829	\$ 732,309
2017	\$.752	\$ 91,175,188	\$ 685,637
2016	\$.762	\$ 88,387,108	\$ 673,510
2015	\$.762	\$ 88,874,803	\$ 677,226
2014	\$.762	\$ 85,835,694	\$ 654,068
2013	\$.762	\$ 86,954,593	\$ 662,594
2012	\$.762	\$ 85,383,734	\$ 650,624
2011	\$.73	\$ 91,199,589	\$ 665,757
2010	\$.73	\$ 90,388,588	\$ 659,837

NOTE: On July 1, 2019, the City of Dunlap approved the levy for the year ended June 30, 2019, for residents on record as of January 1, 2019. The 2019 levy was recorded as a receivable and deferred revenue for the year ended June 30, 2019.

UNCOLLECTED DELINQUENT ACCOUNTS

Delinquent taxes filed for collection by years are as follows:

<u>Year of Levy</u>	<u>Delinquent Taxes Filed</u>
2018	\$ 78,354
2017	22,262
2016	14,622
2015	10,420
2014	5,334
2013	3,636
2012	2,667
2011	1,425
2010	<u>2,258</u>
	<u>\$ 140,978</u>

CITY OF DUNLAP, TENNESSEE
Schedule of Municipal Utility Rates and Number of Customers
June 30, 2019

WATERWORKS

Number of customers 2,848

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

SEWER SYSTEM

Number of customers 870

Residential - \$5.50 per/1,000 gallons
Commercial - \$7.50 per/1,000 gallons

NATURAL GAS SYSTEM

Number of customers 2,177

Residential - \$5.84 per dth plus calculated rate of cost of gas
Commercial - \$6.24 per dth plus calculated rate of cost of gas
Industrial - \$2.72 per dth plus calculated rate of cost of gas
Transport - \$0.40 per dth plus calculated rate of cost of gas

CITY OF DUNLAP, TENNESSEE
Schedule of Insurance
June 30, 2019

<u>Description</u>	<u>Policy #</u>	<u>Policy Term</u>	<u>Coverage</u>
Property	TMP-4314-19	7-1-18/19	\$ 32,892,512
Workers compensation	PWC-0399-20	2-28-19/20	\$ 300,000 per accident \$ 700,000 policy limit \$ 300,000 per employee
Liability	PLI-0409-20	1-7-19/20	\$1,000,000 each other loss per occurrence
Employee surety bonds		2018/2020	\$ 642,459 Recorder/Treasurer \$ 5,000 Bookkeeper, Judge/ Police Officers/ Cashiers/Mayor/ Vice-Mayor

CITY OF DUNLAP, TENNESSEE
Schedule of Unaccounted for Water
June 30, 2019

AWWA Free Water Audit Software:

Water Audit Report for: Dunlap Water System (0000205)
 Reporting Year: 2019 7/2018 - 6/2019

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

WATER SUPPLIED		← Enter grading in column 'E' and 'J' →		Master Meter and Supply Error Adjustments	
				Pct:	Value:
Volume from own sources:	<input type="text" value="9"/>	<input type="text" value="265.296"/>	MG/Yr	<input type="text"/>	<input type="text"/>
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr	<input type="text"/>	<input type="text"/>
Water exported:	<input type="text" value="8"/>	<input type="text" value="0.718"/>	MG/Yr	<input type="text"/>	<input type="text"/>
WATER SUPPLIED:		264.588	MG/Yr	Enter negative % or value for under-registration Enter positive % or value for over-registration	

AUTHORIZED CONSUMPTION					
Billed metered:	<input type="text" value="9"/>	<input type="text" value="160.071"/>	MG/Yr		
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr		
Unbilled metered:	<input type="text" value="10"/>	<input type="text" value="0.000"/>	MG/Yr	Pct:	Value:
Unbilled unmetered:	<input type="text" value="9"/>	<input type="text" value="3.307"/>	MG/Yr	<input type="text" value="1.25%"/>	<input type="text" value="24081"/>
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed					
AUTHORIZED CONSUMPTION:		163.378	MG/Yr		

WATER LOSSES (Water Supplied - Authorized Consumption)		<input type="text" value="101.202"/>	MG/Yr		
Apparent Losses				Pct:	Value:
Unauthorized consumption:	<input type="text" value="9"/>	<input type="text" value="0.661"/>	MG/Yr	<input type="text" value="0.25%"/>	<input type="text" value="0.050"/>
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	<input type="text" value="8"/>	<input type="text" value="1.617"/>	MG/Yr	<input type="text" value="1.00%"/>	<input type="text"/>
Systematic data handling errors:	<input type="text" value="5"/>	<input type="text" value="0.400"/>	MG/Yr	<input type="text" value="0.25%"/>	<input type="text"/>
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed					
Apparent Losses:		2.679	MG/Yr		

Real Losses (Current Annual Real Losses or CARL)					
Real Losses = Water Losses - Apparent Losses:		<input type="text" value="98.523"/>	MG/Yr		
WATER LOSSES:		101.202	MG/Yr		

NON-REVENUE WATER		<input type="text" value="104.509"/>	MG/Yr		
= Water Losses + Unbilled Metered + Unbilled Unmetered					

SYSTEM DATA					
Length of mains:	<input type="text" value="8"/>	<input type="text" value="142.0"/>	miles		
Number of active AND inactive service connections:	<input type="text" value="9"/>	<input type="text" value="2,835"/>			
Service connection density:		<input type="text" value="20"/>	conn./mile main		
Are customer meters typically located at the curbstop or property line?		<input type="text" value="Yes"/>			
Average length of customer service line:	<input type="text" value="10"/>	<input type="text"/>	ft		
Average length of customer service line has been set to zero and a data grading score of 10 has been applied					
Average operating pressure:	<input type="text" value="3"/>	<input type="text" value="85.0"/>	psi		

COST DATA					
Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$1,490,275"/>	\$/Year		
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="10"/>	<input type="text" value="\$7.62"/>	\$/1000 gallons (US)		
Variable production cost (applied to Real Losses):	<input type="text" value="10"/>	<input type="text"/>	\$/Million gallons		

WATER AUDIT DATA VALIDITY SCORE:

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

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

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

CITY OF DUNLAP, TENNESSEE
 Schedule of Unaccounted for Water (Continued)
 June 30, 2019

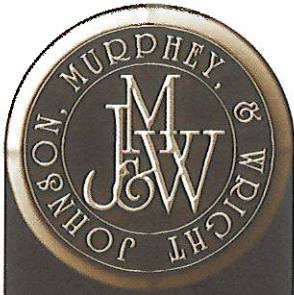
0

AWWA Free Water Audit Software:	
Water Audit Report for: Dunlap Water System (0000205)	
Reporting Year:	2019 7/2018 - 6/2019
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 ***	
System Attributes:	
Apparent Losses:	2.679 MG/Yr
+ Real Losses:	98.523 MG/Yr
= Water Losses:	101.202 MG/Yr
Unavoidable Annual Real Losses (UARL):	41.38 MG/Yr
Annual cost of Apparent Losses:	\$20,410
Annual cost of Real Losses:	<input type="text" value=""/> Valued at Variable Production Cost <small>Return to Reporting Worksheet to change this assumption</small>
Performance Indicators:	
Non-revenue water as percent by volume of Water Supplied:	39.5%
Non-revenue water as percent by cost of operating system:	1.4% Real Losses valued at Variable Production Cost
Apparent Losses per service connection per day:	2.59 gallons/connection/day
Real Losses per service connection per day:	N/A gallons/connection/day
Real Losses per length of main per day*:	1,900.89 gallons/mile/day
Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):	98.52 million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.38
<small>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline</small>	

(BLANK PAGE)

III. INTERNAL CONTROL AND COMPLIANCE SECTION

(BLANK PAGE)



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Jennifer Waycaster, CPA

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

Mayor and Commissioners
City of Dunlap, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dunlap, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Dunlap, Tennessee's basic financial statements and have issued our report thereon dated April 10, 2020.

Internal Control Over Financial Reporting

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

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

Mayor and Commissioners
City of Dunlap, Tennessee
Page Two

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dunlap, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002.

City of Dunlap, Tennessee's Response to Findings

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

Purpose of this Report

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

Johnson, Murgely & Wright, P.C.

Chattanooga, Tennessee
April 10, 2020

CITY OF DUNLAP, TENNESSEE
Schedule of Findings and Responses
June 30, 2019

SUMMARY OF AUDIT RESULTS

Opinion on Financial Statements:

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

Internal Control Deficiencies:

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

Material Noncompliance:

Two instances of noncompliance or other matters were disclosed.

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

COMPLIANCE:

Finding 2019-001 - Books Not Closed Within Sixty Days

Criteria:

The State of Tennessee Audit Manual Appendix B states that a government must “close the accounting records within 60 days of their fiscal year end.”

Condition:

The City’s accounting records were not closed within 60 days after June 30, 2019.

Cause:

Transactions were being recorded after the 60 day limit, which also pushed back the closing date.

Effect:

The City was not in compliance with the State of Tennessee Audit Manual.

Management’s Response:

We concur. We will monitor our timing more closely in the future.

CITY OF DUNLAP, TENNESSEE
Schedule of Findings and Responses (Continued)
June 30, 2019

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

COMPLIANCE: (Continued)

Finding 2019-002 - Expenditures Exceeded Budget

Criteria:

Tennessee Code Annotated (TCA) Section 6-56-203 states that no municipality may expend any moneys regardless of their source...except in accordance with a budget ordinance...

Condition:

Expenditures in the Debt Service Fund exceeded the amount budgeted by \$44,502.

Cause:

The City's budget was not amended to account for all expenditures.

Effect:

Without following proper procedures, the City has failed to authorize all expenditures by the end of the fiscal year.

Management's Response:

We concur. We will make every effort in the future to provide for all expenditures in our budget.

CITY OF DUNLAP, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2019

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2018-001	Enterprise Fund Operating at a Loss (Original finding 2014-003)	Corrected
2018-002	Books Not Closed Within Sixty Days (Original finding 2017-003)	Repeated

(BLANK PAGE)



DWAIN LAND
Mayor

Telephone 423-949-2115
Fax 423-949-3359
Email: cityofdunlap@bledsoe.net

**THE CITY OF
DUNLAP, TENNESSEE**

15595 Rankin Avenue
P.O. Box 546
Dunlap, Tennessee 37327

Commissioners

BRYAN HARMON
JEFF HARMON
ALLEN JONES
JUDY H. LAYNE

**Management's Corrective Action Plan
June 30, 2019**

Management's corrective action plan for our June 30, 2019 audit is as follows:

2019-001 Books Not Closed Within Sixty Days

We concur. Norman Hatfield, CMFO, will ensure the upcoming fiscal year's accounting records are closed within 60 days.

2019-002 Expenditures Exceeded Budget

We concur. Norman Hatfield, CMFO, will ensure as of the date of this letter that all necessary budget amendments have been made prior to the end of the fiscal year.

Respectfully submitted,

City of Dunlap, Tennessee


Dwain Land, Mayor

(BLANK PAGE)