

# OFFICIAL STATEMENT

New Issue  
Book-Entry Only

Rating: Moody's "Aa2"  
(See "RATING" herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Issuer (i) interest on the Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).*

**\$13,750,000**  
**CITY OF TULLAHOMA, TENNESSEE**  
**GENERAL OBLIGATION SCHOOL BONDS, SERIES 2021**  
**(ULT)**

Dated: Date of Delivery

Due: April 1, as shown below

The City of Tullahoma, Tennessee (the "Issuer") will issue its \$13,750,000 General Obligation School Bonds, Series 2021 (the "Bonds") in fully registered form, without coupons, and, when issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof through DTC Participants. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2022, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through the Participants (as such term is herein defined). Purchasers will not receive physical delivery of Bonds purchased by them. See "The Bonds-Book-Entry-Only System." Principal of and interest on the Bonds are payable by the Issuer to the corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as registration and paying agent (the "Registration Agent").

The Bonds are subject to redemption prior to maturity at the option of the Issuer at any time on or after April 1, 2030 at a price of par. The Bonds are payable on April 1 of each year as follows:

Maturity (April 1)	Principal	Interest Rate	Yield	Maturity (April 1)	Principal	Interest Rate	Yield
2022	\$25,000	5.000%	0.190%	2030	\$710,000	5.000%	1.100%
2023	25,000	5.000	0.280	2031	745,000	4.000	1.180 c
2024	530,000	5.000	0.380	2032	775,000	3.000	1.300 c
2025	555,000	5.000	0.470	2033	800,000	3.000	1.350 c
2026	585,000	5.000	0.620	2034	825,000	2.000	1.650 c
2027	615,000	5.000	0.750	2035	840,000	2.000	1.700 c
2028	645,000	5.000	0.920	2036	855,000	2.000	1.750 c
2029	675,000	5.000	1.030	2037	875,000	2.000	1.850 c

\$3,670,000 2.000% Term Bond Due April 1, 2041, Yield 2.020%

c = Yield to call date of April 1, 2030

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds. To the extent permitted by applicable law, the Bonds shall be additionally payable from, but not secured by, certain sales tax revenues.

*The Bonds are offered when, as and if issued, subject to the approval of the legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Issuer by Stephen Worsham, Esq., Counsel to the Issuer. Stephens Inc. is serving as Municipal Advisor to the City. The Bonds, in book-entry form, are expected to be available for delivery through The Depository Trust Company in New York, New York, on or about December 16, 2021.*

November 30, 2021

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by the Issuer from time to time, is an Official Statement with respect to the Bonds described herein that is deemed final by the Issuer as of the date hereof (or of any such supplement or amendment).

No dealer, broker, salesman or other person has been authorized by the Issuer or by Stephens Inc., as municipal advisor, to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Issuer or the Bonds must not be relied upon as having been authorized by the Issuer or Stephens Inc. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date as of which information is given in this Official Statement.

**In making an investment decision investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.**

City of Tullahoma, Tennessee  
General Obligation School Bonds, Series 2021  
(ULT)

Dated December 16, 2021

<u>Maturity (April 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.**</u>
2022	\$25,000	5.000%	0.190%	8993215R0
2023	25,000	5.000	0.280	8993215S8
2024	530,000	5.000	0.380	8993215T6
2025	555,000	5.000	0.470	8993215U3
2026	585,000	5.000	0.620	8993215V1
2027	615,000	5.000	0.750	8993215W9
2028	645,000	5.000	0.920	8993215X7
2029	675,000	5.000	1.030	8993215Y5
2030	710,000	5.000	1.100	8993215Z2
2031	745,000	4.000	1.180 c	8993216A6
2032	775,000	3.000	1.300 c	8993216B4
2033	800,000	3.000	1.350 c	8993216C2
2034	825,000	2.000	1.650 c	8993216D0
2035	840,000	2.000	1.700 c	8993216E8
2036	855,000	2.000	1.750 c	8993216F5
2037	875,000	2.000	1.850 c	8993216G3
2041*	3,670,000	2.000	2.020	8993216L2

\*Term Bond

c = Yield to call date of April 1, 2030

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

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*The material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of the City of Tullahoma, Tennessee General Obligation School Bonds, Series 2021.*

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**CITY OF TULLAHOMA, TENNESSEE**

**MAYOR**

Ray Knowis

**BOARD OF MAYOR AND ALDERMEN**

Jimmy Blanks  
Jenna Amacher  
Daniel Berry  
Rupa Blackwell  
Robin Dunn  
Sernobia McGee

**ADMINISTRATION**

Jennifer Moody, City Administrator  
Rosemary Golden, City Recorder  
Susan Wilson, Finance Director  
Dr. Catherine Stephens, Director of Schools  
Jason Ray, Schools Business Director  
Jason Williams, Police Chief  
Kenneth Pearson, Fire Chief  
Robert Taylor, Public Works Director  
Dave Anderson, Parks and Recreation Director  
Winston Brooks, Community Development Director  
Casta Brice, Human Resources Director

**CITY ATTORNEY**

Stephen Worsham  
Tullahoma, Tennessee

**BOND COUNSEL**

Bass, Berry & Sims PLC  
Nashville, Tennessee

**REGISTRATION AND PAYING AGENT**

U.S. Bank National Association  
Nashville, Tennessee

**MUNICIPAL ADVISOR**

Stephens Inc.  
Nashville, Tennessee

**UNDERWRITER**

Fidelity Capital Markets  
Boston, Massachusetts

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## Summary Statement

*This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.*

<b>ISSUER</b> .....	City of Tullahoma, Tennessee (the "Issuer").
<b>ISSUE</b> .....	\$13,750,000 General Obligation School Bonds, Series 2021 (the "Bonds").
<b>PURPOSE</b> .....	The Bonds are being issued for the purpose of providing funds for the (i) acquisition of land and site development for school purposes; (ii) constructing, repairing, renovating and equipping of school buildings and school facilities; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (iv) reimbursement to the appropriate fund of the Issuer for prior expenditures for the foregoing costs, if applicable; and (v) payment of costs of issuance and sale of the Bonds.
<b>SECURITY</b> .....	The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds. To the extent permitted by applicable law, the Bonds shall be additionally payable from, but not secured by, certain sales tax revenues.
<b>DATED DATE</b> .....	December 16, 2021.
<b>INTEREST DUE</b> .....	Each April 1 and October 1, commencing April 1, 2022.
<b>PRINCIPAL DUE</b> .....	April 1, commencing April 1, 2022 through April 1, 2037, inclusive, and April 1, 2041.
<b>SETTLEMENT DATE</b> .....	December 16, 2021.
<b>OPTIONAL REDEMPTION</b>	The Bonds maturing April 1, 2031 and thereafter, shall be subject to redemption prior to maturity at the option of the Issuer on April 1, 2030 and thereafter, as a whole or in part, at any time at the redemption price of par plus accrued interest to the redemption date.
<b>RATING</b> .....	"Aa2" by Moody's Investors Service, Inc. (the "Rating Agency"), based on documents and other information provided by the Issuer. The rating reflects only the view of the Rating Agency and neither the Issuer, the Municipal Advisor nor the Underwriter makes any representations as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds. Any

explanation of the significance of the rating may be obtained from the Rating Agency.

**TAX MATTERS .....** Bass, Berry & Sims PLC will provide an unqualified opinion as to the tax exemption of the Bonds discussed under "TAX MATTERS" herein.

**REGISTRATION AND  
PAYING AGENT.....** U.S. Bank National Association, Nashville, Tennessee.

**MUNICIPAL ADVISOR.....** Stephens Inc., Nashville, Tennessee.

**UNDERWRITER.....** Fidelity Capital Markets, Boston, Massachusetts.

## **Official Statement**

**City of Tullahoma, Tennessee**

**\$13,750,000**

**General Obligation School Bonds, Series 2021  
(ULT)**

### **Introduction**

The Official Statement, including the cover page and appendices hereto, is furnished in connection with the issuance by The City of Tullahoma, Tennessee (the "Issuer") of \$13,750,000 General Obligation School Bonds, Series 2021 (the "Bonds").

The Bonds are issuable under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 9-21-101, et seq., Tennessee Code Annotated, and pursuant to a resolution adopted by the Board of Mayor and Aldermen of the Issuer on October 11, 2021 (the "Resolution") authorizing the issuance, sale and payment of the Bonds.

This Official Statement includes descriptions of, among other matters, the Bonds, the Resolution, and the Issuer. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Resolution are qualified in their entirety by reference to the definitive document, including the form of the Bonds included in the Resolution. During the period of the offering of the Bonds, copies of the Resolution and any other documents described herein or in the Resolution may be obtained from the Issuer. After delivery of the Bonds, copies of such documents will be available for inspection at the Mayor's office. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolution.

### **The Bonds**

#### **Description**

The Bonds are being issued for the purpose of providing funds for the (i) acquisition of land and site development for school purposes; (ii) constructing, repairing, renovating and equipping of school buildings and school facilities; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (iv) reimbursement to the appropriate fund of the Municipality for prior expenditures for the foregoing costs, if applicable; and (v) payment of costs of issuance of the Bonds.

The Bonds will be issued as fully registered book-entry Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated the date of delivery. Interest on the Bonds, at the rates per annum set forth on the cover page and calculated on the basis of a 360-day year, consisting of twelve 30-day months, will be payable semiannually on April 1 and October 1 of each year (herein an "Interest Payment Date"), commencing April 1, 2022.

The Bonds will mature on the dates and in the amounts set forth on the cover page.

Except as otherwise provided in the Detailed Notice of Sale and in the Resolution, the Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.

U.S. Bank National Association, Nashville, Tennessee (the "Registration Agent") will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners as shown on the Note registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the Interest Payment Date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Note which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Issuer to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: The Issuer shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Issuer shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Note registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Issuer to punctually pay or duly provide for the payment of principal of and interest on the Bonds when due.

### **Optional Redemption**

The Bonds maturing April 1, 2031 and thereafter, shall be subject to redemption prior to maturity at the option of the Issuer on April 1, 2030 and thereafter, as a whole or in part, at any time at the redemption price of par plus accrued interest to the redemption date.

## **Mandatory Redemption**

Subject to the credit hereinafter provided, the Issuer shall redeem Bonds maturing April 1, 2041 on the redemption dates set forth below opposite, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Note is one, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
April 1, 2041	April 1, 2038	\$890,000
	April 1, 2039	910,000
	April 1, 2040	925,000
	April 1, 2041*	945,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Issuer may (i) deliver to the Registration Agent for cancellation Bonds maturing April 1, 2041 to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond maturing April 1, 2041 so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Issuer on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

## **Notice of Redemption**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Issuer not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Note registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Issuer nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants, or Beneficial Owners. Failure of DTC, or any successor

Depository, to provided notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Issuer pursuant to written instructions from an authorized representative of the Issuer (other than for a mandatory sinking fund redemption, if applicable, notices of which shall be given at least forty-five (45) days prior to the redemption date unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided. In the case of a Conditional Redemption, the failure of the Issuer to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

### **Security and Sources of Payment**

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds. To the extent permitted by applicable law, the Bonds shall be additionally payable from, but not secured by, certain sales tax revenues.

### **Discharge and Satisfaction of Bonds**

The Bonds may be discharged and defeased in any one or more of the following ways:

(a) By depositing sufficient funds as and when required with the Registration Agent, to pay the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Issuer shall also pay or cause to be paid all other sums payable under the Resolution, or make adequate provision therefor, and by resolution of the Board of Mayor and Aldermen instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Issuer to the holders of such Bonds shall be fully discharged and satisfied.

If the Issuer pays and discharges the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners of such Bonds shall thereafter be entitled only to payment out of the money or Defeasance Obligations.

Defeasance Obligations are direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **Book-Entry-Only System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Only one fully-registered Note certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with Direct Participants, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

**THE ISSUER AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.**

### **Sources and Uses of Funds**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds.

#### **Sources of Funds**

Par Amount	\$13,750,000.00
Net Reoffering Premium	<u>1,378,779.95</u>
Total Sources	<u>\$15,128,779.95</u>

#### **Uses of Funds**

Deposit to Project Fund	\$15,003,096.62
Costs of Issuance (includes Underwriter's Discount, Municipal Advisory Fees, and Expenses)	<u>125,683.33</u>
Total Uses	<u>\$15,128,779.95</u>



## **Application of Bond Proceeds**

The proceeds of the Bonds will be deposited to a Project Fund held by the Issuer, and used to pay costs of the Projects and costs of issuance of the Bonds.

## **Rating**

The Bonds have been assigned a rating of "Aa2" by Moody's Investors Service, Inc. (the "Rating Agency") based on documents and other information provided by the Issuer. The rating reflects only the view of the Rating Agency, and neither the Issuer, the Municipal Advisor, nor the Underwriter make any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the rating may be obtained from the Rating Agency.

## **Continuing Disclosure**

### **General**

The Issuer will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Issuer by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2021 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events and notice of failure to provide any required financial information of the Issuer. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the Issuer with the Municipal Securities Rulemaking Board ("MSRB") at [emma.msrb.org](http://emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule"). The Issuer did not timely file its Annual Report for fiscal years ended June 30, 2016 and June 30, 2017. Such Annual Reports were filed on June 26, 2019, and an accompanying notice of failure to timely file such Annual Reports was filed on June 28, 2019.

### **Annual Report**

The Issuer's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Issuer for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include the following information included in Appendix B to this Official Statement (which information may be provided in a manner other than as set forth therein) as follows:

1. Summary of Outstanding Debt;

2. Debt Statement;
3. Debt Record;
4. Debt Per Capita Ratios;
5. Debt Ratios;
6. Debt Trend;
7. General Obligation Public Improvement Debt Service Requirements;
8. General Obligation School Debt Service Requirements Paid From Local Sales Tax;
9. Property Valuation and Property Tax – Combined Portions of Coffee and Franklin Counties;
10. Top Taxpayers;
11. Fund Balances;
12. Local Option Sales Tax; and
13. Statement of Revenues, Expenditures and Changes in Fund Balances – All Government Fund Types – Fiscal Year ended June 30.

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

### **Reporting of Significant Events**

The Issuer will file notice of the following events (the "Listed Events") with the MSRB and SID, if any:

- a. Principal and interest payment delinquencies.
- b. Non-payment related defaults, if material.
- c. Unscheduled draws on debt service reserves reflecting financial difficulties.
- d. Unscheduled draws on credit enhancements reflecting financial difficulties.
- e. Substitution of credit or liquidity providers, or their failure to perform.
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.
- g. Modifications to rights of the security holders, if material.

- h. Bond calls, if material, and tender offers.
- i. Defeasances.
- j. Release, substitution or sale of property securing repayment of the security, if material.
- k. Rating changes.
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person.
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material
- o. Incurrence of a financial obligation (as defined by the Rule) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

Upon the occurrence of a Listed Event, the Issuer shall file a notice of such occurrence with the MSRB and SID, if any, no more than ten (10) business days after the occurrence of such event.

For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Issuer shall determine the materiality of such event as soon as possible after learning of its occurrence.

### **Termination of Reporting Obligation**

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

### **Amendment/Waiver**

Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the respective Holders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

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

### **Default**

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

### **Future Issues**

The Issuer has not authorized any other additional future general obligation debt. It is not possible, however, to foresee all capital needs, and circumstances may change.

### **Litigation**

The Issuer, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. As of the date of this Official Statement and after reviewing the current status of all pending and threatened litigation with its counsel, the Issuer believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the Issuer or its officials in such capacity are adequately covered by insurance or by sovereign immunity or will not have a material adverse effect upon the Issuer's financial condition.

As of the date of this Official Statement, the Issuer has no knowledge or information concerning any pending or threatened litigation contesting the authority of the Issuer to issue, sell or deliver the proposed Bonds. The Issuer has no knowledge or information of any actions pending or expected which would materially affect the Issuer's ability to pay the debt service requirements of the proposed Bonds.

## **Approval of Legal Proceedings**

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be delivered with the Bonds. (See Appendix A). Certain legal matters will be passed upon for the Issuer by Stephen Worsham, Esq., Counsel to the Issuer.

## **Tax Matters**

### **Federal Taxes**

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

- is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

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

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

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

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

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

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

**Bond Premium.** If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond

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

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

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

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

## **State Taxes**

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

## **Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. For example, various proposals have been made in Congress and by the President which, if enacted, would subject interest on bonds, such as the Bonds, that is otherwise excluded from gross income for federal income tax purposes, to a tax payable by certain bondholders with

an adjusted gross income in excess of certain proposed thresholds. Further, such proposals may impact the marketability of the Bonds simply by being proposed. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Bonds prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

### **Municipal Advisor**

Stephens Inc. is serving as Municipal Advisor to the Issuer in connection with the issuance of the Bonds. Stephens Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal or state income tax status of the Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The information set forth herein has been obtained from the Issuer and other sources believed to be reliable, but has not been independently verified by Municipal Advisor.

The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

### **Underwriting**

Fidelity Capital Markets, Boston, Massachusetts (the "Underwriter"), acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Bonds for an aggregate purchase price of \$15,087,360.37, which is par, plus net original issue premium of \$1,378,779.95, less Underwriter's Discount of \$41,419.58.

The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

### **Miscellaneous**

The foregoing summaries do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. For details of all terms and conditions, purchasers are referred to the Resolution, copies of which may be obtained from the Issuer.

Any statement made in this Official Statement involving matters of opinion and estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement was duly authorized by the Issuer.

### **Forward-Looking Statements**

The statements contained in this Official Statement, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

*[remainder of page intentionally left blank]*



### **Certificate of Issuer**

I, Ray Knowis, do hereby certify that I am the duly qualified and acting Mayor of the City of Tullahoma, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement dated November 30, 2021 issued in connection with the sale of the Issuer's \$13,750,000 General Obligation School Bonds, Series 2021, and to the best of my knowledge, information, and belief (a) the descriptions and statements contained in said Official Statement were at the time of the acceptance of the winning bid and are on the date hereof true and correct in all material respects; and (b) that said Official Statement did not at the time of the acceptance of the winning bid and does not on the date hereof contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

WITNESS my official signature as of this 30<sup>th</sup> day of November, 2021.

/s/ Ray Knowis  
Mayor

I, Rosemary Golden, do hereby certify that I am the duly qualified and acting City Recorder of the City of Tullahoma, Tennessee, and as such official, I do hereby certify that Ray Knowis is the duly qualified and acting Mayor of said Issuer and that the signature appended to the foregoing certificate is the true and genuine signature of such official.

WITNESS my official signature and the seal of the City of Tullahoma, Tennessee as of the date subscribed to the foregoing certificate.

/s/ Rosemary Golden  
City Recorder

(SEAL)

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**APPENDIX A**

Form of Legal Opinion of Bass, Berry & Sims PLC, Attorneys,  
Nashville, Tennessee relating to the Bonds.



(Form of Opinion of Bond Counsel)

Bass, Berry & Sims PLC  
150 Third Avenue South, Suite 2800  
Nashville, Tennessee 37201

December 16, 2021

We have acted as bond counsel to the City of Tullahoma, Tennessee (the "Issuer") in connection with the issuance of \$13,750,000 General Obligation School Bonds, Series 2021, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.
2. The resolution of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds have been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer, enforceable in accordance with its terms.
3. The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds. To the extent permitted by applicable law, the Bonds shall be additionally payable from, but not secured by, certain sales tax revenues.
4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.
5. Under existing law, the Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds

in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

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

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

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

Yours truly,

Bass Berry & Sims PLC

## **APPENDIX B**

### Demographic and General Financial Information for the Issuer





# DEMOGRAPHIC AND GENERAL FINANCIAL INFORMATION OF THE MUNICIPALITY

## GENERAL INFORMATION

### The Issuer

The City of Tullahoma is located in Southern Middle Tennessee 74 miles southeast of Nashville, Tennessee; 82 miles northwest of Chattanooga, Tennessee; and 53 miles northeast of Huntsville, Alabama. The corporate limits of the City comprise 25.8 square miles located in Coffee and Franklin Counties. Tullahoma is the primary residential, shopping area and commercial/industrial hub for the region. It was incorporated in 1903 and is governed by a Board of Mayor and Aldermen, with operating responsibilities delegated to the City Administrator. U.S. Highway 41-A and State Highways 55 and 130 pass through the corporate limits of the City. Interstate 24 is 10 miles northeast of the city, connected by four-lane State Highway 55. CSX Transportation provides rail transport facilities.

## DEMOGRAPHIC DATA

### Basic Demographics

#### POPULATION

	<u>City</u>	<u>Coffee County</u>	<u>Franklin County</u>	<u>Tennessee</u>
1990 U.S. Census	17,165	40,507	35,027	4,890,626
2000 U.S. Census	18,279	48,227	39,310	5,703,719
2010 U.S. Census	18,655	52,770	40,959	6,355,311
2011 U.S. Census Estimate	18,613	52,920	40,857	6,399,291
2012 U.S. Census Estimate	18,654	53,147	40,688	6,453,898
2013 U.S. Census Estimate	18,700	53,298	41,213	6,494,340
2014 U.S. Census Estimate	18,751	53,524	41,288	6,541,223
2015 U.S. Census Estimate	18,932	54,093	41,343	6,591,170
2016 U.S. Census Estimate	19,040	54,537	41,518	6,646,010
2017 U.S. Census Estimate	19,175	55,016	41,623	6,708,799
2018 U.S. Census Estimate	19,352	55,877	41,935	6,771,631
2019 U.S. Census Estimate	19,555	56,520	42,208	6,829,174

Source: U.S. Bureau of Census

### Per Capita Personal Income

The City of Tullahoma is an important part of Coffee County and Franklin County. Since the majority of Tullahoma (95%) lies within Coffee County, the statistics below are based on Coffee County.

	<u>County</u>	<u>Tennessee</u>	<u>% of State</u>
2010 Per Capita Personal Income	\$31,212	\$35,856	87.0%
2011 Per Capita Personal Income	\$32,439	\$37,751	85.9%
2012 Per Capita Personal Income	\$33,474	\$39,418	84.9%
2013 Per Capita Personal Income	\$33,929	\$39,519	85.9%
2014 Per Capita Personal Income	\$35,205	\$40,841	86.2%
2015 Per Capita Personal Income	\$36,529	\$42,648	85.7%
2016 Per Capita Personal Income	\$36,644	\$43,637	84.0%
2017 Per Capita Personal Income	\$37,554	\$45,134	83.2%
2018 Per Capita Personal Income	\$38,762	\$47,203	82.1%
2019 Per Capita Personal Income	\$40,415	\$49,009	82.5%

Source: Bureau of Economic Analysis, CA1-3 Personal Income Summary

## COVID-19

The worldwide spread of COVID-19, a respiratory disease caused by a novel strain of coronavirus, has affected the State, including the Issuer, and is considered a Public Health Emergency of International Concern by the World Health Organization. The spread of COVID-19 has led to quarantine and other “social-distancing” measures in affected regions, including the State and the Issuer, undertaken, from time to time, by government agencies, businesses, schools and other entities. The State’s Governor declared a state of emergency in March 2020 and issued State-wide stay-at-home orders for much of the State, including the Issuer, at various points for all but essential businesses. Although the stay-at-home orders for the Issuer have been lifted and the State’s state of emergency has expired, additional social-distancing measures may be instituted by the State, Coffee County or Franklin County, if necessary, to mitigate the spread of COVID-19 and the State’s state of emergency may be reinstated. Further, individuals may choose on their own to modify their behavior in order to mitigate the spread of COVID-19. As such, the disease has affected travel and commercial markets within the State and may continue to do so in the future. As of November 16, 2021, there were approximately 193 confirmed cases of COVID-19 in Coffee County and Franklin County combined and a combined total of 265 deaths in such counties.

Multiple vaccines for the virus that causes COVID-19 were developed in late 2020. To date, three vaccines have been approved for distribution in the United States with each of these vaccines having an efficacy rate exceeding 65%. Multiple variants of the virus that causes COVID-19 have been documented in the United States and globally, but studies so far suggest that antibodies generated through vaccination with approved vaccines recognize these variants to varying extents. COVID-19 vaccines are currently available to all residents within the State, including the Issuer, who are age 5 and older.

Given the evolving nature of the spread of the disease and the behavior of governments, businesses, and individuals in response thereto, the Issuer is unable to predict (i) the extent or duration of the COVID-19 outbreak or other epidemic or pandemic, (ii) the extent or duration of existing or future quarantines, business or school closures, travel restrictions and other measures relating to COVID-19 or any other epidemic or pandemic, (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may adversely affect the operations of the Issuer, (iv) the impact of COVID-19 on the financial condition of the Issuer or (v) the impact of, or the timing of distribution of, the COVID-19 vaccines.

From an operations perspective, the Issuer is working proactively to preserve effective staffing for all essential Issuer operations and is following guidance produced by the Centers for Disease Control and Prevention for businesses and employers. Financially, the Issuer expects that tax collections derived from commercial activity (such as sales taxes) may be adversely affected by any social-distancing measures. There was no material change in property tax collections in Fiscal Year 2020 as a result of the pandemic, as most property taxes for the applicable tax year were due prior to March 2020. Likewise, the Issuer has not yet seen any material change in property tax collections in Fiscal Year 2021 as a result of the pandemic. There can be no assurance that future property tax collections will not be impacted. Sales tax revenues collected by the Issuer during Fiscal Year 2021 is expected to come in 13% higher than Fiscal Year 2020. Though not a material source of revenue for the Issuer, motel tax revenues decreased 3.7% in Fiscal Year 2020 and decreased another 15% in Fiscal Year 2021.

Though no assurances can be made, the Issuer expects its current liquidity position to be adequate to fund essential services and to make timely payments on its debt service when due. In connection with the COVID-19 pandemic, the Issuer has received \$450,000 in local support grant funds from the State and \$290,000 from the Cares Act Provider Relief Fund. Also, the Issuer has been allocated \$5,800,000 from the federal American Rescue Plan Act of 2021, of which \$2,900,000 has already been received. The Issuer expects to apply such aid to various operating and capital expenditures within the Issuer.

## ECONOMIC DATA

### Economic Base

Other factors contributing to the City's economy include its central location amidst various major employers, and steadily growing presence as a high technology industrial center. Its economic base is diversified, with various manufacturing companies and automotive, finance, and retail establishments located in or near the City. Higher education, with the Motlow State Community College and the University of Tennessee Space Institute adjoining the corporate limits, is also an important factor. The Arnold Air Force Base, including the affiliated Arnold Engineering Development Center, and the Nissan assembly plant are located within fifteen miles of the City.

### Public Education

The Tullahoma City Schools are operated by the Board of Education and serve students in grades Pre-K through 12. There are four elementary schools, two middle school and one high school. The following table shows average daily membership (K-12) figures for the past ten years.

<b>Average Daily Membership</b>	
<b>School Year</b>	<b>Tullahoma City Schools</b>
2010 - 2011	3,209
2011 - 2012	3,258
2012 - 2013	3,333
2013 - 2014	3,396
2014 - 2015	3,346
2015 - 2016	3,410
2016 - 2017	3,438
2017 - 2018	3,343
2018 - 2019	3,409
2019 - 2020	3,466

Source: Tennessee Department of Education

### Higher Education

**Motlow State Community College** is a public, comprehensive two-year, open access college founded in 1969, and located near the corporate limits of the City. The college is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools, and awards Associate Degrees in Arts, Science and Applied Science as well as technical certificates of credit. The Computer Integrated Manufacturing Center fulfills curricular needs in the general technology major and provides consultative services for local industry in the growing high technology corridor represented in the service area. It serves a student body drawn principally from an eleven-county area of rural south central Tennessee.

**The University of Tennessee Space Institute** is a part of the Graduate School of The University of Tennessee, providing graduate degrees and research in engineering, physics, mathematics, and aviation systems. UTSI maintains a Flight Research Center at the Tullahoma Airport, and operates the Department of Energy's Coal-Fired Flow Facility. UTSI's major facilities include an Industry-Student Center, a 700-seat auditorium, a propulsion building, numerous labs and classrooms, a research library, and the Center for Laser Applications.

## **Medical Services**

**Vanderbilt Tullahoma – Harton Hospital** (Formerly Tennova Healthcare – Harton) located in Tullahoma is a comprehensive health care facility with a capacity of 135 beds. It specializes in cardiology, emergency medicine, family practice, general surgery, hematology, internal medicine, nephrology, neurology, neurosurgery, obstetrics/gynecology, oncology, ophthalmology, oral/maxillofacial surgery, orthopedics/orthopedics surgery, pediatrics, plastic surgery, podiatry, pulmonology, radiation oncology, radiology, sleep medicine and urology. The Medical Center has approximately 500 employees.

**Highland Rim Mental Health Center** is adjacent to Tennova Healthcare - Harton, and serves a five-county area providing outpatient consultation, education, 24-hour emergency service, and day services for mentally ill adults and abused pre-schoolers, as well as drug and alcohol services.

**Life Care Center** is a 169-bed nursing home, provides care for long and short-term patients, as well as post operative, elderly, ambulatory bedfast, and chronically ill patients. It employs 152 people.

**NHC Healthcare Tullahoma** is a private 90-bed post-acute 24-hour skilled nursing health care center. NHC provides skilled nursing care including rehabilitation, home care and hospice.

**Vanderbilt LifeFlight** has a base in Tullahoma and provides solutions for all emergency medical transport needs. LifeFlight will transport a patient to any medically appropriate hospital, and their crews have access to the region's only Level I Trauma Center, Burn Center and Children's Hospital, all at Vanderbilt.

## Major Employers

### CURRENT LIST OF TOP EMPLOYERS

Employer	Employees	Product/Service
Arnold Engineering Development Complex	1,500	Research Facility
M-Tek, Inc.	1,300	Automotive Supplier
Coffee County School District	800	Education
Tullahoma City Schools	500	Education
Harton Regional Medical Center	416	Hospital
Batesville Casket Company	408	Casket Manufacturer
Great Lake Cheese	364	Food Supplier
Viam Manufacturing, Inc.	354	Automotive Floor Liners
Wal-Mart Stores, Inc.	300	Retail
TE Connectivity	239	Electronic Components

Sources: TN Department of Economic and Community Development.

## Labor Force, Employment, and Unemployment

Ninety-five percent of the City of Tullahoma is located within Coffee County. The labor force within Coffee County increased from 24,662 to 25,700 reflecting a 4 percent increase over the last 10 years.

Year	Employment	Unemployment	Total Labor Force	Unemployment Percent		
				County	State	U.S.
2011	22,171	2,491	24,662	10.1%	9.1%	8.9%
2012	22,552	2,068	24,620	8.4%	8.0%	8.1%
2013	22,617	1,913	24,530	7.8%	7.7%	7.4%
2014	22,936	1,568	24,504	6.4%	6.6%	6.2%
2015	23,006	1,339	24,345	5.5%	5.6%	5.3%
2016	23,319	1,150	24,469	4.7%	4.8%	4.9%
2017	23,978	921	24,899	3.7%	3.7%	4.4%
2018	23,886	866	24,752	3.5%	3.5%	3.9%
2019	24,817	847	25,664	3.3%	3.4%	3.7%
2020	23,614	1,998	25,612	7.8%	7.5%	8.1%
Aug-21	24,672	1,028	25,700	4.0%	4.6%	5.2%

Source: Bureau of Labor Statistics

## SUMMARY OF OUTSTANDING DEBT

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 6/30/2020 <sup>(1)</sup>
<b>General Obligation Bonds</b>					
12,084,000	Tennessee Municipal Bond Fund Loan, 2008, School	08/06/08	12/25/33	4.50%	8,523,000
1,125,000	Tennessee Municipal Bond Fund Loan, 2008, General	12/29/08	05/25/33	4.50%	751,000
4,750,000	General Obligation School Bonds, Series 2010	08/10/10	10/01/20	2.50% - 4.00%	100,000
4,795,000	General Obligation School Bonds, Series 2012	11/28/12	04/01/21	1.00% - 2.00%	825,000
4,585,000	General Obligation Refunding Bonds, Series 2016	04/01/16	04/01/26	2.37%	1,995,000
8,750,000	General Obligation Refunding Bonds, Series 2020	08/06/20	04/01/33	2.00% - 5.00%	8,750,000
13,750,000	General Obligation School Bonds, Series 2021	12/16/21	04/01/41	2.00% - 5.00%	13,750,000
<b>Total Bonds</b>					<b>\$34,694,000</b>
<b>General Obligation Notes</b>					
890,115	Capital Outlay Note, Series 2013	09/16/13	10/01/25	2.93%	485,000
2,400,000	Local Government Loan Program, Series 2013	12/20/13	05/25/38	3.00%	1,874,000
650,000	Capital Outlay Note, Series 2014	05/16/14	04/01/21	2.26%	100,000
\$2,988,500	Local Government Loan Program, Series 2015	03/31/15	05/21/40	3.00%	\$2,597,000
\$4,657,267	Local Government Loan Program, Series 2017	10/27/17	09/01/39	2.45%	\$4,657,267
<b>Total Notes</b>					<b>\$9,713,267</b>
<b>Total General Obligation Bonds &amp; Notes</b>					<b>\$44,407,267</b>
<b>Revenue and Tax Bonds, Notes and Loans</b>					
854,988	Tulahoma Municipal Airport Authority Notes	Various	Various	0.75% - 3.90%	345,970
<b>Total Revenue and Tax Bonds &amp; Notes</b>					<b>\$345,970</b>
<b>Total Current Outstanding Debt</b>					<b>\$44,753,237</b>

## DEBT STATEMENT

(Balances as of June 30, 2020)

<b>Outstanding Debt</b>	\$44,753,237
<b>Less Self-Supporting Debt Issues</b>	
Airport Notes, and Loans	(345,970)
General Obligation School Debt Paid from Local Sales Tax <sup>(2)</sup>	(32,433,000)
<b>Net Direct Debt</b>	<b>\$11,974,267</b>
<b>Net Overlapping Debt (As of June 30, 2020)</b>	
City's Portion of Coffee County Debt (34.98% of \$18,680,689) - excludes school debt	\$6,534,663
City's Portion of Franklin County Debt (2.68% of \$69,446,883) - excludes school debt	1,858,284
<b>Total Net Overlapping Debt</b>	<b>\$8,392,947</b>
<b>Overall Net Debt</b>	<b>\$20,367,214</b>

(1) As of 6/30/20, adjusted for GO Refunding Bonds, Series 2020 and GO Bonds, Series 2021.

(2) The Tennessee General Assembly enacted a Private Act Chapter 35 in 1995, which established a Sales Tax School Bond Sinking Fund. Local Sales Taxes received by the School System are placed in this fund monthly for the specific purpose of retiring School Bonds principal and interest. The full faith and credit of the City is pledged for the payment of the debt, although such debt is currently paid from the local sales tax allocation.

Source: Comprehensive Annual Financial Report for the fiscal year ending June 30, 2020 and City officials.

## DEBT RECORD

**There is no record of a default on bond principal and interest from information available.**

## POPULATION

	<u>City</u>	<u>Coffee County</u>	<u>Franklin County</u>	<u>Tennessee</u>
1990 U.S. Census	17,165	40,507	35,027	4,890,626
2000 U.S. Census	18,279	48,227	39,310	5,703,719
2010 U.S. Census	18,655	52,770	40,960	6,355,518
2011 U.S. Census Estimate	18,613	52,929	40,866	6,400,298
2012 U.S. Census Estimate	18,654	53,165	40,706	6,455,752
2013 U.S. Census Estimate	18,700	53,325	41,241	6,496,943
2014 U.S. Census Estimate	18,751	53,555	41,320	6,544,617
2015 U.S. Census Estimate	18,932	54,130	41,385	6,595,354
2016 U.S. Census Estimate	19,040	54,593	41,579	6,651,277
2017 U.S. Census Estimate	19,175	55,128	41,662	6,714,748
2018 U.S. Census Estimate	19,352	56,049	42,016	6,778,180
2019 U.S. Census Estimate	19,555	56,717	42,255	6,830,325

Source: U.S. Bureau of Census

## DEBT PER CAPITA RATIOS

Outstanding Debt	\$2,352.51
Net Direct Debt	\$612.34
Net Overlapping Debt	\$429.20
Overall Net Debt	\$1,041.53

## DEBT RATIOS

	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
Outstanding Debt	10.10%	2.60%
Net Direct Debt	2.63%	0.68%
Net Overlapping Debt	1.84%	0.47%
Overall Net Debt	4.47%	1.15%

## DEBT TREND

<b>Debt Type</b>	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>6/30/2017<sup>(1)</sup></u>	<u>06/30/16</u>
General Obligation Bonds <sup>(2)</sup>	\$22,159,000	\$24,822,000	\$27,389,000	\$29,891,000	\$32,285,000
General Obligation Notes	9,713,267	7,502,665	5,896,000	6,163,000	6,559,500
Airport Authority Debt	345,970	395,791	275,248	126,152	130,120
Water and Wastewater Revenue & Tax Bonds <sup>(1)</sup>	N/A	N/A	N/A	N/A	110,000
State of Tennessee Installment Notes Water/Wastewater <sup>(1)</sup>	N/A	N/A	N/A	N/A	3,823,391
Tennessee Municipal Bond Fund Loan Water System <sup>(1)</sup>	N/A	N/A	N/A	N/A	1,368,000
Broadband Network Revenue and Tax Bonds <sup>(1)</sup>	N/A	N/A	N/A	N/A	13,170,000
Revenue and Tax Capital Outlay Notes, Series 2011	0	0	0	0	1,013,000
	<u>\$32,218,237</u>	<u>\$32,720,456</u>	<u>\$33,560,248</u>	<u>\$36,180,152</u>	<u>\$58,459,011</u>

(1) In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

(2) The General Obligation debt of the City includes school debt which is paid from local sales tax in accordance with a private act enacted by the Tennessee General Assembly in 1995.

Source: Comprehensive Annual Financial Report for the fiscal years ending June 30, 2016 - 2020.

**GENERAL OBLIGATION PUBLIC IMPROVEMENT DEBT  
SERVICE REQUIREMENTS  
as of June 30, 2020<sup>(1)</sup>**

<b>Year No.</b>	<b>Year</b>	<b>Total Outstanding GO Principal</b>	<b>Percent Principal Retired</b>	<b>Total Outstanding GO Interest</b>	<b>Total Debt Service Requirements</b>
1	2021	\$652,000		\$217,467	\$869,467
2	2022	567,000		199,876	766,876
3	2023	587,000		184,130	771,130
4	2024	606,000		167,847	773,847
5	2025	621,000	41.45%	151,059	772,059
6	2026	646,000		133,854	779,854
7	2027	282,000		115,995	397,995
8	2028	288,000		106,680	394,680
9	2029	292,000		97,140	389,140
10	2030	299,000	66.15%	87,450	386,450
11	2031	304,000		77,505	381,505
12	2032	311,000		67,365	378,365
13	2033	316,000		56,990	372,990
14	2034	246,000		46,380	292,380
15	2035	248,000	85.62%	39,000	287,000
16	2036	252,000		31,560	283,560
17	2037	255,000		24,000	279,000
18	2038	258,000		16,350	274,350
19	2039	143,000		8,610	151,610
20	2040	144,000	100.00%	4,320	148,320
		<u>\$7,317,000</u>		<u>\$1,833,578</u>	<u>\$9,150,578</u>

<sup>(1)</sup> Excludes a \$4,657,267 Construction loan. The terms of this loan will be finalized when construction is complete.

Source: Comprehensive Annual Financial Report for the fiscal year ending June 30, 2020 and City officials.



**GENERAL OBLIGATION SCHOOL DEBT SERVICE REQUIREMENTS**  
**PAID FROM LOCAL SALES TAX <sup>(1)</sup>**  
**as of June 30, 2020<sup>(2)</sup>**

Year		Plus: GO				Percent	Plus: GO				Total Debt
No.	Year	Bond Principal	Note Principal	School Bonds, Series 2021	Total School Principal	Principal Retired	Bond Interest	Note Interest	School Bonds, Series 2021	Total School Interest	Service Requirements
1	2021	2,420,000	75,000		2,495,000		652,766	13,112		665,878	3,160,878
2	2022	1,480,000	77,000	25,000	1,582,000		710,835	10,885	127,342	849,062	2,431,062
3	2023	1,547,000	80,000	25,000	1,652,000		639,185	8,585	435,350	1,083,120	2,735,120
4	2024	1,569,000	82,000	530,000	2,181,000		564,295	6,212	434,100	1,004,607	3,185,607
5	2025	1,637,000	84,000	555,000	2,276,000	31.41%	488,415	3,780	407,600	899,795	3,175,795
6	2026	1,661,000	87,000	585,000	2,333,000		409,250	1,275	379,850	790,375	3,123,375
7	2027	871,000		615,000	1,486,000		329,005		350,600	679,605	2,165,605
8	2028	923,000		645,000	1,568,000		288,385		319,850	608,235	2,176,235
9	2029	950,000		675,000	1,625,000		245,300		287,600	532,900	2,157,900
10	2030	1,004,000		710,000	1,714,000	58.31%	201,000		253,850	454,850	2,168,850
11	2031	1,059,000		745,000	1,804,000		157,495		218,350	375,845	2,179,845
12	2032	1,106,000		775,000	1,881,000		118,840		188,550	307,390	2,188,390
13	2033	1,173,000		800,000	1,973,000		78,445		165,300	243,745	2,216,745
14	2034	798,000		825,000	1,623,000		35,910		141,300	177,210	1,800,210
15	2035			840,000	840,000	83.35%			124,800	124,800	964,800
16	2036			855,000	855,000				108,000	108,000	963,000
17	2037			875,000	875,000				90,900	90,900	965,900
18	2038			890,000	890,000				73,400	73,400	963,400
19	2039			910,000	910,000				55,600	55,600	965,600
20	2040			925,000	925,000	97.09%			37,400	37,400	962,400
21	2041			945,000	945,000	100.00%			18,900	18,900	963,900
		\$18,198,000	\$485,000	\$13,750,000	\$32,433,000		\$4,919,126	\$43,849	\$4,218,642	\$9,181,617	\$41,614,617

(1) The Tennessee General Assembly enacted a Private Act Chapter 35 in 1995, which established a Sales Tax School Bond Sinking Fund. Local Sales Taxes received by the School System are placed in this fund monthly for the specific purpose of retiring School Bond principal and interest. The full faith and credit of the City is pledged for the payment of the debt; although such debt is currently paid from the local sales tax allocations.

(2) As of 6/30/20 and adjusted for GO Refunding Bonds, Series 2020 and GO Bonds, Series 2021.

Source: Comprehensive Annual Financial Report for the fiscal year ending June 30, 2020 and City officials.

**PROPERTY VALUATION AND PROPERTY TAX  
COMBINED PORTIONS OF COFFEE AND FRANKLIN COUNTIES**

<b>Fiscal Year Tax Year</b>	<b>2020-2021 2020</b>	<b>2019-2020 2019</b>	<b>2018-2019 2018</b>	<b>2017-2018 2017</b>	<b>2016-2017 2016</b>
<b>ESTIMATED ACTUAL VALUES</b>					
Residential & Farm	\$1,105,260,484	\$937,331,496	\$787,510,780	\$781,995,151	\$774,425,900
Commercial & Industrial	\$519,878,219	\$438,720,876	393,377,187	390,357,344	381,787,900
Personal Tangible Property	\$134,189,625	\$125,565,479	138,646,014	128,571,678	119,634,680
Public Utilities	\$12,290,713	\$11,838,222	15,267,137	15,538,585	14,098,575
<b>Total Estimated Actual Values</b>	<b>\$1,771,619,041</b>	<b>\$1,513,456,073</b>	<b>\$1,334,801,118</b>	<b>\$1,316,462,758</b>	<b>\$1,289,947,055</b>
Annual Percentage Change	17.06%	13.38%	1.39%	2.06%	-0.19%
Estimated Per Capita Amount	\$90,597	\$77,395	\$68,975	\$68,655	\$67,749
<b>ASSESSED VALUES</b>					
Residential & Farm (at 25%)	\$237,159,125	\$231,505,700	\$195,421,825	\$194,051,875	\$193,606,475
Commercial & Industrial (at 40%)	\$177,868,080	\$175,269,120	156,075,160	154,877,120	152,715,160
Personal Tangible Property (at 30%)	\$34,920,064	\$37,360,207	41,280,058	38,276,235	35,890,404
Public Utilities (at 30%-55%)	\$5,364,896	\$5,167,384	6,613,092	6,731,086	6,154,028
<b>Total Assessed Values</b>	<b>\$455,312,165</b>	<b>\$449,302,411</b>	<b>\$399,390,135</b>	<b>\$393,936,316</b>	<b>\$388,366,067</b>
Annual Percentage Change	1.34%	12.50%	1.38%	1.43%	0.31%
Estimated Per Capita Amount	\$23,284	\$22,976	\$20,638	\$20,544	\$20,397
<b>Appraisal Ratios</b>					
Coffee County	85.50%	100.00%	100.00%	93.78%	93.78%
Franklin County	88.99%	88.99%	100.00%	100.00%	96.23%
<b>Assessed Values to Actual Values</b>	<b>25.70%</b>	<b>29.69%</b>	<b>29.92%</b>	<b>29.92%</b>	<b>30.11%</b>
<b>Property Tax Rate - Coffee County</b>	<b>\$2.43</b>	<b>\$2.43</b>	<b>\$2.43</b>	<b>\$2.60</b>	<b>\$2.60</b>
<b>- Franklin County</b>	<b>\$2.43</b>	<b>\$2.43</b>	<b>\$2.43</b>	<b>\$2.44</b>	<b>\$2.61</b>
<b>Taxes Levied</b>	<b>In Process</b>	<b>\$10,794,702</b>	<b>\$10,516,025</b>	<b>\$10,516,632</b>	<b>\$10,383,215</b>
<b>Collections</b>					
Current Fiscal Year	In Process	\$10,383,647	\$10,166,247	\$10,178,020	\$10,008,040
Percent Collected Current FY		96.19%	96.67%	96.78%	95.58%

Sources: Comprehensive Annual Financial Reports for the fiscal years ending June 30, 2017 - 2020, State Board of Equalization, 2016-2020 Tax Aggregate Reports of Tennessee.

## TOP TAXPAYERS

<u>Business</u>	<u>Type of Business</u>	<u>Tax Year 2019 Assessed Value</u>	<u>Assessed Value as a percent of Total Assessment</u>
Tullahoma HMA, Inc.	Regional Hospital	\$ 9,460,400	2.33%
Northgate Unlimited	Shopping Center	4,699,640	1.16%
Centro NP Commerce Central	Shopping Center	4,498,960	1.11%
Forest Gallery LLC	Shopping Center	4,473,280	1.10%
Tenova/Harton Regional	Medical Building	4,347,040	1.07%
Ascend Federal Credit Union	Federal Credit Union	4,043,960	0.99%
Lowes Home Center	Retail Store	3,274,240	0.81%
Goodrich /United Technology	Manufacturing	2,677,480	0.66%
ADA Ferrell Garden II LP	Apartments	2,500,520	0.61%
Cherokee Square	Shopping Center	2,386,440	0.59%
		<b>\$ 42,361,960</b>	<b>10.43%</b>

Sources: Comprehensive Annual Financial Reports for fiscal year ending June 30, 2020.

## FUND BALANCES

	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>
<b>GOVERNMENTAL FUNDS</b>					
General Fund	\$7,633,729	\$7,212,057	\$7,066,293	\$6,861,838	\$7,597,605
General Purpose School Fund	10,208,434	9,388,481	9,406,509	9,070,030	8,374,298
Special Revenue	2,336,669	2,195,605	2,583,630	2,441,016	2,045,237
Urban Development Action Grant Fund	679,227	651,399	959,818	688,386	521,566
Education and General Debt Service	3,121,406	3,719,168	3,667,289	3,692,686	3,695,414
General Capital Projects	1,846,046	1,903,390	1,941,319	1,933,296	1,517,103
<b>Total Governmental Funds</b>	<b>\$25,825,511</b>	<b>\$25,070,100</b>	<b>\$25,624,858</b>	<b>\$24,687,252</b>	<b>\$23,751,223</b>
<b>PROPRIETARY FUNDS</b>					
Electrical System <sup>(1)</sup>	N/A	N/A	N/A	\$20,036,345	\$21,530,729
Fiber Optics System <sup>(1)</sup>	N/A	N/A	N/A	1,211,484	(1,301,822)
Water and Wastewater System <sup>(1)</sup>	N/A	N/A	N/A	29,375,493	28,353,893
Municipal Airport Authority	11,416,711	11,935,527	11,867,516	12,168,592	11,082,864
<b>Total Proprietary Funds</b>	<b>\$11,416,711</b>	<b>\$11,935,527</b>	<b>\$11,867,516</b>	<b>\$62,791,914</b>	<b>\$59,665,664</b>

(1) In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity.

Sources: Comprehensive Annual Financial Reports for fiscal years ending June 30, 2016-2020.

## LOCAL OPTION SALES TAX

	<u>FY2019-20</u>	<u>FY2018-19</u>	<u>FY2017-18</u>	<u>FY2016-17</u>	<u>FY2015-16</u>
<b>Rate (% of retail sales) - Coffee County</b>	2.75%	2.75%	2.75%	2.75%	2.75%
<b>Rate (% of retail sales) - Franklin County</b>	2.25%	2.25%	2.25%	2.25%	2.25%
<b>Total Amount to City (General Fund)</b>	<b>\$11,240,967</b>	<b>\$10,475,112</b>	<b>\$10,114,032</b>	<b>\$9,653,579</b>	<b>\$9,640,761</b>
<b>% of Increase</b>	<b>7.31%</b>	<b>3.57%</b>	<b>4.77%</b>	<b>0.13%</b>	<b>6.35%</b>

Sources: Comprehensive Annual Financial Reports for fiscal years ending June 30, 2016-2020.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types**  
**Fiscal Year ended June 30**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>REVENUES</b>					
Taxes	\$24,865,958	\$23,937,945	\$23,259,110	\$22,720,227	\$22,074,459
Licenses and Permits	168,102	103,755	130,186	95,928	89,499
Fines and Costs	151,114	254,212	354,632	340,979	327,496
Intergovernmental Revenues	31,820,672	30,820,420	30,990,463	29,932,701	29,517,779
Charges for Services	2,011,524	2,369,490	2,461,137	2,614,082	2,466,610
Interest Income	188,984	239,235	149,021	101,730	77,768
Other Revenues	972,634	880,478	1,347,642	1,067,304	754,862
Total Revenues	<u>\$60,178,988</u>	<u>\$58,605,535</u>	<u>\$58,692,191</u>	<u>\$56,872,951</u>	<u>\$55,308,473</u>
Other Sources:					
Bond/Note Proceeds	\$2,586,602	\$1,975,665	\$95,000	\$0	\$1,423,878
Refunding Bonds Proceeds	-	-	-	-	4,585,000
Bond Issue Premium	-	-	-	-	-
Operating Transfers	<u>18,578,416</u>	<u>17,492,278</u>	<u>17,613,474</u>	<u>17,298,839</u>	<u>17,162,048</u>
Total Revenues & Other Sources	<u>\$81,344,006</u>	<u>\$78,073,478</u>	<u>\$76,400,665</u>	<u>\$74,171,790</u>	<u>\$78,479,399</u>
<b>EXPENDITURES</b>					
General Government	\$1,995,610	\$1,854,606	\$1,749,426	\$1,596,369	\$1,511,588
Public Safety	5,868,823	6,063,401	5,849,293	5,669,534	5,276,039
Public Works	2,493,873	2,349,825	2,306,762	2,701,517	2,466,897
Community Services	2,515,095	2,755,765	2,523,652	2,629,107	2,325,850
Public Education	34,393,031	34,331,885	33,458,121	32,194,990	29,978,405
Program Costs	4,870,180	4,930,312	4,947,549	5,018,525	4,510,580
Capital Outlay	5,795,018	4,307,656	3,117,849	2,358,330	3,726,328
Loans Disbursed	268,591	633,000	14,000	138,366	183,500
Debt Service	3,905,489	3,909,508	3,882,253	3,745,903	8,271,383
Total Expenditures	<u>\$62,105,710</u>	<u>\$61,135,958</u>	<u>\$57,848,905</u>	<u>\$56,052,641</u>	<u>\$58,250,570</u>
Other Uses:					
Operating Transfers	18,578,416	17,492,278	17,613,474	17,298,839	16,770,864
Escrow Agent for Refunded Bonds					
Loans Disbursed	-	-	-	-	-
Total Expenditures & Other Uses	<u>\$80,684,126</u>	<u>\$78,628,236</u>	<u>\$75,462,379</u>	<u>\$73,351,480</u>	<u>\$75,021,434</u>
Excess of Revenues & Other Sources					
Sources Over (Under) Expenditures	<u>\$659,880</u>	<u>(\$554,758)</u>	<u>\$938,286</u>	<u>\$820,310</u>	<u>\$3,457,965</u>
<b>FUND BALANCES</b>					
Fund Balance July 1	\$25,070,100	\$25,624,858	\$24,687,252	\$23,751,223	\$20,291,555
Prior Period Audit Adjustments	<u>95,531</u>	<u>-</u>	<u>(680)</u>	<u>115,719</u>	<u>1,703</u>
Fund Balance, June 30	<u>\$25,825,511</u>	<u>\$25,070,100</u>	<u>\$25,624,858</u>	<u>\$24,687,252</u>	<u>\$23,751,223</u>

Sources: Comprehensive Annual Financial Reports for fiscal years ending June 30, 2016-2020.

## **APPENDIX C**

Comprehensive Annual Financial Report of the Issuer for the  
Fiscal Year Ended June 30, 2020



**CITY OF TULLAHOMA, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**PREPARED BY:**

**SUSAN WILSON, CMFO  
FINANCE DIRECTOR**

**CITY OF TULLAHOMA, TENNESSEE**  
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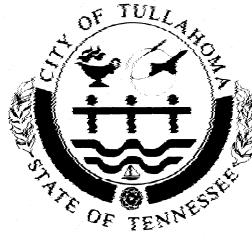
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## **INTRODUCTORY SECTION**



March 31, 2021

To the Honorable Mayor Ray Knowis, Aldermen and Citizens of Tullahoma, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tullahoma for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of the City of Tullahoma, Tennessee. Consequently, management assumes responsibility for the completeness and reliability of all information presented in this report being correct to the best of their knowledge. To provide a reasonable basis for making these representations, management of the City of Tullahoma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Tullahoma's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Tullahoma's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Tullahoma's financial statements have been audited by Housholder Artman, PLLC, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Tullahoma's financial statements for the year ended June 30, 2020, are fairly presented in conformity with GAAP.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and the independent auditor's report on compliance and internal controls. The introductory section includes this transmittal letter, a listing of public officials, and an organizational chart of the Government's public service departments.

The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary information, and statements of individual funds and component units. The Government is required to include MD&A as an analysis of the government's financial performance for the year. This letter of transmittal is intended as an introduction and should be read in conjunction with MD&A.

The statistical section includes demographic and financial information with multiple years shown for comparison.

The fourth section contains the independent auditors' reports on the internal control structure and compliance with laws and regulations as required by *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### **Profile of the Government**

The City of Tullahoma had a 2010 census population of 18,579 and is located in both Coffee and Franklin Counties in southern middle Tennessee. The Government provides a wide range of services including: education, public works, parks and recreation, planning and codes, fire and police protection, public power, water, wastewater services and fiber optics, and general administrative services. The City also operates its own award winning K-12 school system. Tullahoma High School students' ACT and SAT scores consistently exceed state and national averages.

A Board of Mayor and Aldermen govern the City of Tullahoma. The board members serve the city at-large. The Board of Mayor and Aldermen sets policy for the city government, appoints committee and board members, approves an annual budget, enacts laws and ordinances, enters into contracts, and sets public hearings.

### **Economic Conditions**

Tullahoma's central location has fostered its growth into a thriving regional, commercial, retail and medical hub that boasts a healthy business environment and has over 744 service and manufacturing industries within its ten mile radius. 34% of the State's 5.175 million citizens reside in the Middle Tennessee area and many pass through Tullahoma; the daily average traffic count for Tullahoma's main retail area is approximately 24,000. This excellent "hub" location continues to attract new retail big box and smaller specialty retailers.

Since the opening of Arnold Air Force Base here in 1951, Tullahoma has been an aviation and aeronautics industry center. Arnold Engineering Development Complex at Arnold Air Force Base is home to the world's largest and most comprehensive collection of flight simulation test facilities.

Tullahoma has continued to partner with Coffee County and the State of Tennessee for economic development projects and has been honored with the Governor's Three Star Award for the past 20 years. Additionally, Tullahoma has established the Tullahoma

Area Economic Development Corporation to assist local businesses with expansion opportunities, as well as attract new businesses to the area.

Tullahoma is situated near several lakes and parks making it a great recreational haven. It is also a regional center for the arts, with community plays, annual cultural fairs and events, a fine arts center and science contributing to the quality of life for residents and generating tourism revenue.

### **Primary Government and Component Units**

As detailed later in the Management Discussion and Analysis portion of this financial report, the City of Tullahoma is comprised of several related entities. The City of Tullahoma Board of Mayor and Aldermen have varying degrees of authority for the operations of these entities by state law, or by local charter and ordinance. The City of Tullahoma and the Tullahoma City Schools are shown in the financial report categorized under “Primary Government – Governmental Activities.” The Tullahoma City Schools are governed by an elected Board of Education empowered with the daily operations of the school system. Approval of the Board of Mayor and Aldermen is required for the annual budget, capital projects and debt issuance. The Board of Education, by state law, cannot levy taxes, and therefore has limited power to generate revenues other than establishing tuition or service-related fees. A City Alderman is appointed annually as the non-voting liaison to the Board of Education, and the City provides a large portion of the school’s operating budget and debt service as periodic transfers throughout the year.

The Tullahoma Airport Authority (TAA), the Tullahoma Industrial Development Board (TIDB) and the Tullahoma Area Economic Development Corporation (TAEDC) are all reported as component units of the City of Tullahoma,. The Board of Mayor and Aldermen appoint the members of these boards as well, with an Alderman as a non-voting liaison. The City of Tullahoma also funds a portion of the operating budget for these entities.

### **Long –Term Financial Planning**

The Board of Mayor and Alderman adopted “Building Our Future: Tullahoma’s Strategic Plan.” This document incorporates previous committee and community planning meetings, growth studies, development studies and plans to provide a comprehensive tool for immediate and long-term planning. This forty-six page document serves as the basis for long range capital and operating forecasts as well as annual budgetary decisions. The City of Tullahoma joined with the City of Manchester and Coffee County in 2005 to participate in the Governor’s Three Star Program. As part of that process, the City of Tullahoma’s strategic plan was folded into a new county-wide economic development plan entitled, “Our Future Together: Coffee County Tennessee Strategic Development Plan FY2006-2010”. This plan provided a five-year planning basis for many of the initiatives now in process. The plan covers several broad themes such as creating a vibrant economy, developing a safe, caring and diverse community as well as promoting goals and objectives to facilitate a sustainable healthy environment. The annual budget process integrates the philosophies of this document into capital expenditure planning and direction.

## **Budget Process**

The Tullahoma Municipal Code (Title 6, Chapter 1, Section 6-102) provides that no later than fifteen (15) days prior to the beginning of each fiscal year, the City Administrator shall prepare and submit to the Board of Mayor and Alderman a proposed budget for the next fiscal year, showing separately for the general fund and for each other fund the following information: Revenue and expenditures during the preceding fiscal year; Appropriations and estimated revenue and expenditures for the current fiscal year; and Estimated revenue and recommended expenditures for the next fiscal year.

The Mayor and/or City Administrator may recommend and estimate additional revenue measures including increases in property tax rates, provided estimates are separated clearly from normal revenue estimates. The budget will be accomplished by a message from the Mayor containing a statement of the general fiscal policies of the City, the important features of the budget, explanations of major changes recommended for the next fiscal year as compared with the current fiscal year, a general summary of the budget and such other comments and information as may be deemed pertinent to the budget process. To ensure compliance with this Municipal Code requirement, a budget schedule is prepared to facilitate the decision-making process by providing overall direction to City departments and independent boards and agencies that derive funding from City government. The budget preparation process begins in late winter when the City departments begin preparation of long-term capital improvement project requests.

In early March, City departments begin assessing new resource needs for the coming year relative to equipment, maintenance requirements, information technology, and proposed new and expanded work programs. In May, the Mayor presents his goals and objectives for the upcoming fiscal year to the Board of Mayor and Aldermen. Based on those initiatives, budget requests and supporting documentation is prepared by individual departments and submitted for review by the City Administrator and Finance Director. The Finance Director then creates a preliminary budget for review by staff and the Board during the budget process. The budget documentation submitted by individual departments also includes a statement of proposed departmental goals and objectives, performance measures and estimates of performance for the coming fiscal year, and a detailed line item budget outlining expenditure and justifications for maintaining current and expanded expenditure levels. During April, the City Administrator conducts a review and evaluation of each request in light of available revenues and in accordance with the City's overall goals and objectives.

During May, the Finance Director, with direction from the City Administrator, compiles the information from earlier steps in the budget process into one budget document for review by the Board of Mayor and Aldermen. Generally, the last half of April and early May is set aside for the City Administrator's budget review sessions with department heads and elected officials. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of May. Expenditures and revenue projections for the current fiscal year and estimates for the proposed fiscal year are updated with the latest available data. Final adjustments to routine operating expenditures and anticipated revenues can be introduced for inclusion in the Proposed Budget during this time.

The budget draft for the upcoming fiscal year is first presented to the Board of Mayor and Aldermen in May for initial review. Budget Work Sessions are held with the Board of Mayor and Aldermen to review the proposed operating budget and proposed allocations to independent boards and agencies deriving funds from City government. These work sessions provide opportunities for the Board, independent boards and agencies, department heads, and the public to comment and ask questions about the proposed budget and to request additional information as needed.

During June, the Board of Mayor and Aldermen will conduct public hearings on the Proposed Budget. These hearings provide formal citizen input to the Board on decisions and issues related to the budget. The first reading of the Budget Ordinance is held at either the first or the second regular meeting in June. The Board of Mayor and Aldermen will formally consider and may amend the proposed budget as deemed necessary and adopt the authorized ordinances pertaining to the budget process. The Board of Mayor and Aldermen schedule special call meetings as necessary specifically for the purpose of reviewing and adopting the proposed budget. Upon the third and final reading by the Board of Mayor and Alderman, the Board will set the appropriate tax rate for the upcoming year.

The City of Tullahoma's budget process encourages interaction among the City Administrator, members of the Board of Mayor and Aldermen, City departments, independent boards and agencies, and the general public. The City continues to review and refine this practice each year to ensure public participation at each step in the decision-making process and that the budget procedure is an informative and complete plan for identifying the revenues and expenditures, and the purposes thereof for the coming fiscal year.

### **Annual Independent Audit**

Section 5-106 of the Code of Ordinances of the City of Tullahoma dictates that "The Board shall employ a certified public accountant to make an annual audit of all financial books and records of the city." It further cites Tennessee Code Annotated §6-56-105 which states that the governing body of each municipality shall cause an annual audit to be made of the accounts and records of all departments, boards, and agencies under its jurisdiction that receive and disburse funds. All audits must be submitted to the comptroller of the treasury for approval. The city periodically solicits professional proposals for audit services and currently contracts with Housholder Artman, PLLC in Tullahoma for the annual audit of all municipal entities.



### **Single Audit**

As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including the portion related to federal and state financial assistance programs, as well as to determine that the City has complied, in all material respects, with applicable laws and regulations. The results of the City's single audit for fiscal year 2019 are included in this financial report under the Reports on Compliance and Internal Controls section.

### **Awards and Acknowledgements**

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the years 1992-1994 and 1996-2009, and 2011-2019. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of the state and local government financial reports. This Comprehensive Annual Financial Report will also be submitted for award consideration.

Many individuals in all our boards and agencies assisted in the preparation of this Comprehensive Annual Financial Report and we appreciate their cooperation and dedication, as well as the assistance of the City Recorder and Finance Department staff.

Respectfully submitted,



Susan B. Wilson  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Tullahoma  
Tennessee**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

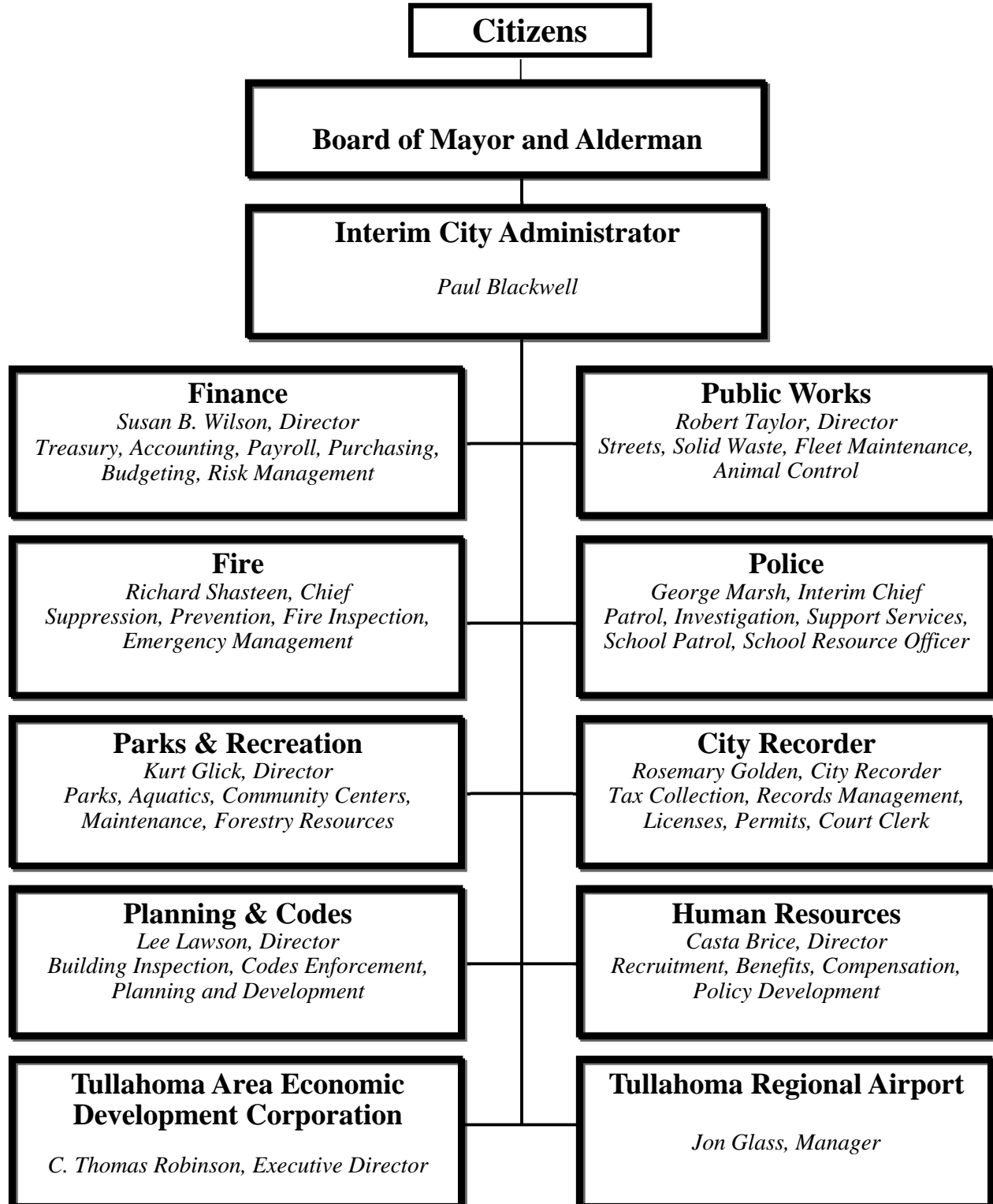
Executive Director/CEO

**CITY OF TULLAHOMA, TENNESSEE  
PUBLIC OFFICIALS**

Mayor	Lane Curlee
Mayor Pro-Tem	Jimmy Blanks
Alderman	Jerry Mathis
Alderman	Ray Knowis
Alderman	Daniel Berry
Alderman	Robin Dunn
Alderman	Rupa Blackwell
City Administrator	Jennifer Moody
City Attorney	Stephen M. Worsham
Finance Director, CMFO	Susan Wilson
City Recorder	Rosemary Golden
Accounting Manager	Donna Graham
Director of Public Works	Robert B. Taylor
Fire Chief	Richard Shasteen
Police Chief	Jason Williams
Director of Parks and Recreation	Kurt Glick
Human Resources Director	Casta Brice
Director of Planning and Codes	Lee Lawson
Director of Community Development	Winston Brooks
Director of Schools, Tullahoma Board of Education, since 6/1/2020	Dr. Catherine Stephens
Director of Schools, Tullahoma Board of Education, 11/1/2019 to 6/1/2020	Scott Hargrove
Director of Schools, Tullahoma Board of Education, before 11/1/2019	John C. Carver
Manager, Tullahoma Municipal Airport Authority	Jon Glass
Executive Director, Tullahoma Area Economic Development Corporation	C. Thomas Robinson
Treasurer, Tullahoma Industrial Development Board	Susan Wilson



## City of Tullahoma



## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Board of Aldermen  
City of Tullahoma, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of June 30, 2020, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund and, where applicable, cash flows thereof 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 and schedules of contributions, changes in net pension liability and related ratios, investment returns, proportionate share of net pension asset – pension plans; changes in net OPEB liability and related ratios, employer contributions, and changes in proportionate share – other post employment benefits on pages A-1 through A-15 and B-83 through B-97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tullahoma, Tennessee's basic financial statements. The introductory section on pages i through ix, combining and individual non-major fund financial statements on pages C-2 through C-12, financial schedules on pages C-1, D-1 through D-6 and D-10 through D-11 and statistical section on pages E-1 through E-20, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance on pages D-7 through D-9 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, are also not a required part of the basic financial statements.

The combining and individual non-major fund statements, financial schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund statements, financial schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 on our consideration of the City of Tullahoma, 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 the City of Tullahoma, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tullahoma, Tennessee's internal control over financial reporting and compliance

*Hensholder Artman PLLC*

Tullahoma, Tennessee  
March 31, 2021





**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

As management of the City of Tullahoma, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City and its related agencies for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes a transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis and general financial statements for the City of Tullahoma and its component units. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The fourth section is the independent auditor's reports on compliance and internal controls.

**Government Finance Officers Association (GFOA) Certificate of Achievement for  
Excellence in Financial Reporting**

The City of Tullahoma has received the Government Finance Officers Association Certification of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the years 1992-1994, and 1996-2009, and 2011-2019. This has been a major achievement for the City. This recognition also reflects significant cooperation between all boards and agencies of the City included in the CAFR and the auditing firm that prepared the CAFR. This CAFR will also be submitted for national award consideration.

**THE REPORTING ENTITY AND ITS COMPONENT UNITS**

This report contains all of the funds and component units of the City of Tullahoma. It includes all activities considered to be part of the "reporting entity" of the City of Tullahoma in compliance with authoritative criteria. In evaluating as to how to define the government, 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 the Governmental Accounting Standards Board Statement Number 14.

The City of Tullahoma is comprised of several related entities. The City of Tullahoma Board of Mayor and Aldermen have varying degrees of authority for the operations of these entities by state law, or by local charter and ordinance. The City of Tullahoma has a city school system. The Tullahoma City Schools are governed by an elected Board of Education empowered with the daily operations of the school system. Approval of the Board of Mayor and Aldermen is required for the annual budget, capital projects and debt issuance. The Board of Education, by state law, cannot levy taxes, and therefore has limited power to generate revenues other than establishing tuition or service-related fees.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

A City Alderman is appointed annually as the non-voting liaison to the Board of Education, and the City provides a large portion of the school's operating budget and debt service as periodic transfers throughout the year. Since the City Board does not operate the school system nor manage its staff or projects, detail for the Tullahoma City Schools budgets is not included in the City of Tullahoma comprehensive budget document. However, the Tullahoma City Schools is listed on the budget ordinance, and shown in the Budget Document under the heading "Other Agencies" with general fund line item detail showing amounts transferred for school operations and debt service from sales tax, property tax and liquor tax collected and then distributed as per state law and local ordinance.

The Tullahoma Airport Authority (TAA), the Tullahoma Industrial Development Board (TIDB) and the Tullahoma Area Economic Development Corporation (TAEDC) are all reported as component units of the City of Tullahoma. The Board of Mayor and Aldermen appoint the members of these boards as well, with an Alderman as a non-voting liaison. The City of Tullahoma also provides the majority of the operating budget for these entities. Therefore, these agencies are included in the City of Tullahoma reporting entity.

**The City of Tullahoma (Primary Government – Governmental Activities)**

Tullahoma is located in Southern Middle Tennessee approximately equal distances from Nashville and Chattanooga, Tennessee, and Huntsville, Alabama. The City comprises 25.8 square miles of area located in both Coffee and Franklin Counties. The 2010 census listed Tullahoma's population as 18,579. Tullahoma's central location has fostered its growth into a thriving regional, commercial, shopping and medical hub that boasts a healthy business environment and is home to over 68 service and manufacturing industries. 34% of the State's 5,689 million citizens reside in the Middle Tennessee area and many pass through Tullahoma; the daily average traffic count for Tullahoma's main retail area is approximately 24,000. This excellent "hub" location continues to attract new retail big box and smaller specialty retailers.

Since the opening of Arnold Air Force Base here in 1951, Tullahoma has been an aviation and aeronautics industry center. Arnold Engineering Development Complex at Arnold Air Force Base is home to the world's largest and most comprehensive collection of flight simulation test facilities.

The Government provides a wide range of services including: education, public works, parks and recreation, planning and codes, fire and police protection, and general administrative services. A Board of Mayor and Aldermen govern the City of Tullahoma. The board members serve the city at-large. The Board of Mayor and Aldermen sets policy for the city government, appoints committee and board members, approves an annual budget, enacts laws and ordinances, enter into contracts, and set public hearings.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

**Tallahoma City Schools (Primary Government – Governmental Activities)**

Tallahoma City Schools (the City Schools) encompasses four elementary schools, two middle schools and one high school. The City Schools serves approximately 3,372 students in grades K-12. An extended school program is in place to provide before and after school child care for our students.

Tallahoma City Schools has a long history of providing students with the opportunity to obtain an excellent education. Each of the seven neighborhood schools offer a high-quality, rigorous academic curriculum, a well-rounded, quality fine arts education, a wide variety of extracurricular activities, team sports, support services for special needs, and much more. Tallahoma students graduate with the necessary skills and knowledge needed to excel in a post-secondary program whether it be college, trade or technical programs, military service, or entry level positions in the workplace. Each year, Tallahoma students receive millions of dollars in scholarship incentives and attend colleges nationwide. The school system is recognized within the State of Tennessee for its academic excellence.

**Tallahoma Municipal Airport Authority (Component Unit)**

The Tallahoma Municipal Airport Authority (TAA) operates the Tallahoma Regional Airport. The Tallahoma Municipal Airport plays a vital role in the economic growth of Tallahoma and the surrounding region. The Airport completed a \$4.3 million paving project that significantly enhanced the Airport's ability to support a wide variety of business and recreational opportunities. The 5,500 foot long runway is capable of handling all types of corporate jet aircraft. The Airport also offers an additional 4,200 foot paved runway and a 2,700 foot long grass runway. The City-owned Airport contains 775 acres of land and has a 100 acre Select Tennessee site ready for development on the northwest corner of the airport. Water, sewer service and fiber are available. With twenty three new private hangars, the Airport is home to over 140 based aircraft. The Airport averages about 40,000 flight operations each year and features a new, modern and spacious terminal building.

Airport traffic doubles every June during the Bonnaroo Music Festival in nearby Manchester as 80,000 rock stars, music promoters, and fans descend on the area for the week. The Airport has hosted three "world class" Air Shows sponsored by nearby Arnold Air Force Base. The Florida-based Goodyear Blimp makes overnight stopovers in Tallahoma, taking advantage of the large open areas for landing and mooring.

The Airport is home to the "world class" Beechcraft Heritage Museum complex that houses over 30 vintage, fully restored Beechcraft-built Staggerwing, Twin Beech and Bonanza aircraft, and is open to the public. The Museum hosts an annual convention in October of each year, which attracts 75-100 aircraft and 300+ attendees, and includes a lot of flying activities by vintage as well as modern aircraft.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

The University of Tennessee Space Institute's Flight Research Center is based on the Airport, conducting advanced aerospace research and offering an advanced test pilot curriculum. The Airport is also home to one of Vanderbilt University's Life Flight helicopter medical evacuation facilities, providing 24/7 rapid patient transport response to the numerous medical centers in Nashville as well as Vanderbilt Tullahoma-Harton Hospital in Tullahoma.

**Tullahoma Industrial Development Board (Component Unit)**

The Tullahoma Industrial Development Board (TIDB) is a Component Unit of City Government. The TIDB was incorporated in 1965. The TIDB's original mission was to acquire, sell, lease, and dispose of properties in an effort to create jobs, promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate in and near the City of Tullahoma. In June, 2005, the TIDB consolidated those functions with the Coffee County Industrial Board. The TIDB retained its charter and bylaws and amended its mission to monitor and service existing industrial revenue bond issues and to perform any and all acts as set forth and authorized in Section 6-2801 et seq. of the Tennessee Code Annotated. The TIDB turned over management of all assets to the City of Tullahoma. The City continues to utilize those financial assets for economic development activities.

**Tullahoma Area Economic Development Corporation (Component Unit)**

The Tullahoma Area Economic Development Corporation (TAEDC) was established to help Tullahoma capture economic activity by:

- Creating an economic development organization with a strategic and focused approach to economic planning and development activities
- Establishing a framework for quality economic growth and development targeting particular segments
- Formulating and implementing programs to increase job opportunities
- Partnering with businesses as well as state and local agencies

The Tullahoma Area Economic Development Corporation consists of seven members elected by the Tullahoma Board of Mayor and Aldermen.

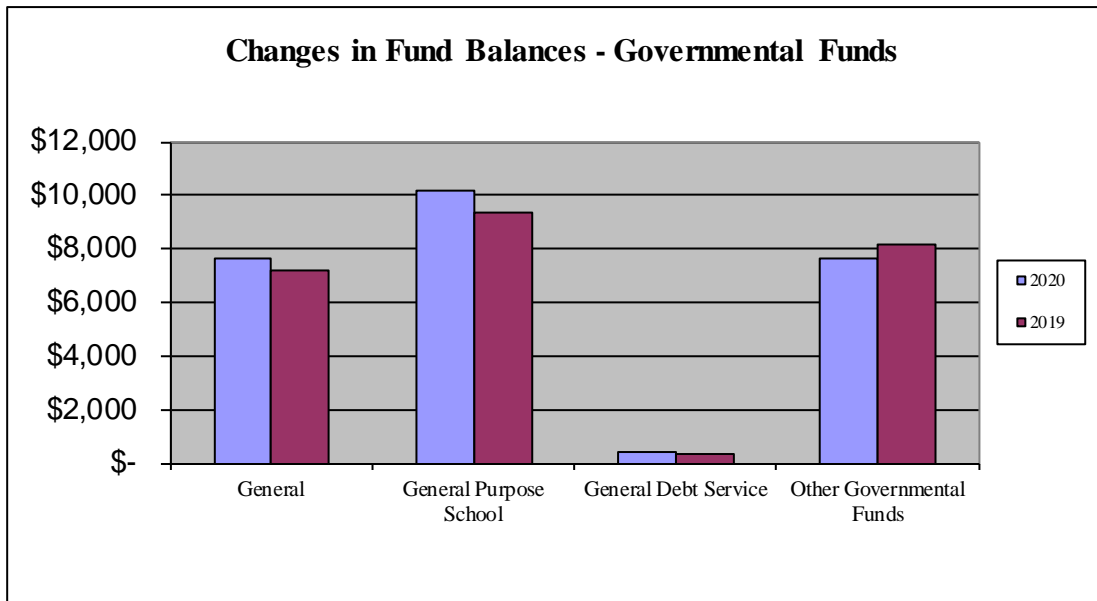
For purposes of this report, the City of Tullahoma and the Tullahoma City Schools financial information has been consolidated and identified as Governmental Activities under the Primary Government sector. Component Units presented in this report are the Tullahoma Industrial Development Board, the Tullahoma Municipal Airport Authority, and the Tullahoma Area Economic Development Corporation.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Governmental Activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,977 (net position). Of this amount, \$16,210 is net investment in capital assets; \$16,593 is restricted for debt service, education and other use, with \$5,174 available to meet other ongoing obligations. Despite the fourth quarter impacts of the COVID-19 pandemic, the Governmental Activities net position increased by \$4,195.
- The Governmental Activities indicates an increase in net investment in capital assets of \$2,575. This increase primarily reflects the addition of the new police station to construction in progress, with the building slated for completion in FY2021. Streets and infrastructure are included in the balance sheet in compliance with GASB 34.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$25,826, an increase of \$755 from the prior year, which includes a prior period adjustment of \$92 in the General Purpose School Fund. Excluding the adjustment, the fund balance in the General Purpose School Fund increased by \$727 and General Debt Service Fund increased by \$56, the fund balance in the City General Fund increased by \$422 and the fund balance in the other governmental funds decreased by \$546 largely due to capital projects expenditures.
- At the end of the current fiscal year, fund balance for the City's General Fund was \$7,634, or 26.7% of total General Fund expenditures including transfers out.
- The ending fund balance in the General Purpose School Fund increased by 7.7% in FY2020 to \$10,208 or 30.2% of total expenses for that fund.
- The ending fund balance in the General Debt Service Fund increased by 17.7% in FY2020 to \$375 or 9.6% of total expenses for that fund.
- The City's total gross debt decreased by \$714 during 2020, as the School made large bond payments offsetting the City's construction draws for capital projects including new sidewalks, parking at South Jackson Civic Center and commencing construction on the new police station to be completed in FY2021.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)



## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other 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's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred outflows of resources, with the difference between assets and liabilities plus deferred inflows of resources 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 is improving or deteriorating.

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

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

The Government-wide Income Statement distinguishes functions of the City that are principally supported by taxes, licenses and permits, 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. The governmental activities of the City include general government, public safety, public works, culture and recreation, and education.

**Fund Financial Statements**

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

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen (14) individual government funds, eleven (11) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the General-Purpose School Fund, General Debt Services Fund and the Non-Major Governmental Funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements on pages C-2 to C-3 of this report. The basic governmental fund financial statements can be found on pages B-3 and B-5.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

The City adopts an annual appropriation budget for its general and other major special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget on pages B-7 to B-15 of this report.

- **Proprietary Fund - Internal Service Fund**

As the City is self-insured for health insurance, the City maintains one (1) internal service fund, a medical trust fund, which is used to account for the funding of employee health and wellness functions funded by the general fund and other component units that utilize city staff rendering services to those agencies of the government on a cost allocated basis. The internal service fund statements can be found on pages B-16 to B-18 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They further define the audited entities, partnerships and financial relationships. The notes to the financial statements can be found on pages B-21 to B-82 of this report.

**Other Information**

The combining statements referred to earlier in connection with non-major governmental funds, budget comparison schedules for funds with legal budgets other than the general fund and other major special revenue funds, and internal service funds are presented immediately following the required supplementary information on pages C-2 to C-12 of this report.

**GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the Governmental Activities, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources reported by \$37,977 at the close of the most recent fiscal year. The City's net investment in capital assets (e.g. land, buildings, and equipment) is largely offset by accumulated depreciation. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.



**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

**City of Tullahoma's Net Position**

	Governmental Activities		Total	
	2020	2019, restated	2020	2019, restated
Assets:				
Current and other assets	\$ 47,934	\$ 43,405	\$ 47,934	\$ 43,405
Capital assets, net of accumulated depreciation	47,910	45,789	47,910	45,789
Total assets	95,844	89,194	95,844	89,194
Deferred outflows of resources	7,027	6,709	7,027	6,709
Liabilities:				
Long-term liabilities outstanding	44,114	44,828	44,114	44,828
Other liabilities	4,805	4,287	4,805	4,287
Total liabilities	48,919	49,115	48,919	49,115
Deferred inflows of resources	15,975	13,006	15,975	13,006
Net position:				
Net investment in capital assets	16,210	13,635	16,210	13,635
Restricted	16,593	15,521	16,593	15,521
Unrestricted	5,174	4,626	5,174	4,626
Total net position	<u>\$ 37,977</u>	<u>\$ 33,782</u>	<u>\$ 37,977</u>	<u>\$ 33,782</u>

A portion of the Governmental Activities total net position \$16,593 (43.7%) represents resources that are subject to external restrictions on how they may be used. These include net position restricted for payments on bonded debts and notes, drug prevention assets, assets for capital construction and projects, equipment replacement, and pension net asset, as well as education funds. The remaining balance of \$5,174 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and short-term creditors or any other public function.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

**City of Tullahoma's Change in Net Position**

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ 4,765	\$ 4,995	\$ 4,765	\$ 4,995
Operating grants & contributions	31,826	30,820	31,826	30,820
Capital grants & contributions	-	-	-	-
General revenues:				
Taxes	24,866	23,938	24,866	23,938
Other revenues	820	721	820	721
Investment earnings	193	242	193	242
Transfers	-	-	-	-
Total revenues	62,470	60,716	62,470	60,716
Expenses:				
General government	5,249	5,518	5,249	5,518
Public safety	5,971	6,052	5,971	6,052
Public works	5,027	5,062	5,027	5,062
Community services	710	803	710	803
Waste management	2,483	2,396	2,483	2,396
Education	37,980	36,639	37,980	36,639
Interest & debt	855	960	855	960
Total expenses	58,275	57,430	58,275	57,430
Change in net position	4,195	3,286	4,195	3,286
Net position, beginning of period	33,619	32,079	33,619	32,079
Adjustment to restate beginning net position	163	(1,746)	163	(1,746)
Net position, beginning, as restated	33,782	30,333	33,782	30,333
Net position, end of period	<u>\$ 37,977</u>	<u>\$ 33,619</u>	<u>\$ 37,977</u>	<u>\$ 33,619</u>

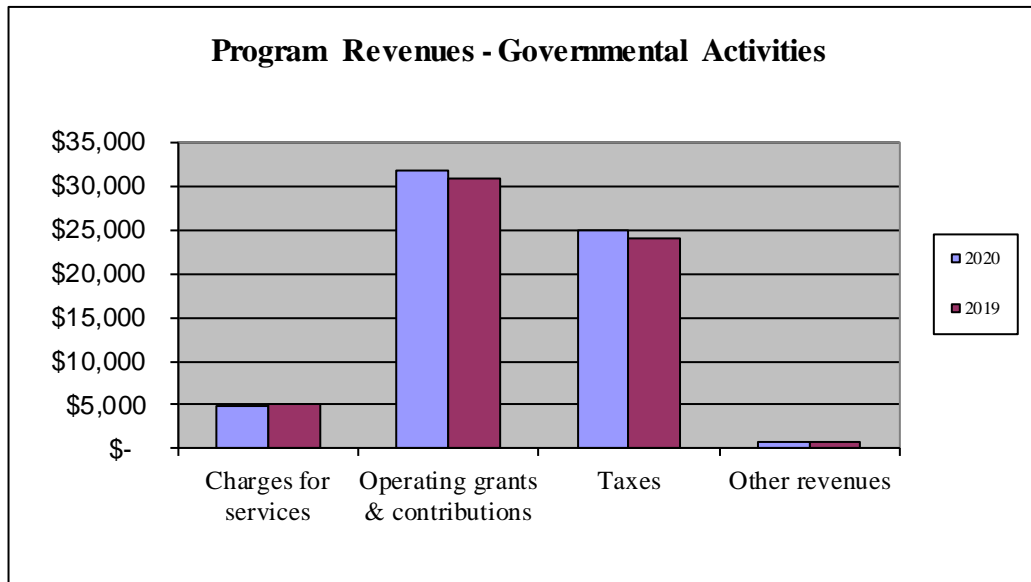
**Changes in Net Position**

- Governmental Activities increased net position by \$4,195, which was reflective of conservative spending practices implemented by the City to address the nationwide economic uncertainties faced in the fourth quarter of FY2020 assisted by the strong sales tax and intergovernmental revenue collections received in the prior quarters. As indicated above, the city was able to trim expenses in all areas by \$478 in the General Fund, with only Solid Waste Management experiencing an increase of \$87 due to a contractual increase in the cost of disposal. However, overall Governmental Activities expense increased by \$845 due to added personnel related expenses of \$1,252 in the General Purpose Education Fund.
- Revenues reflect an increase of \$928 in taxes, which is primarily from improved sales

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

tax collections due to economic growth in the retail and commercial sector. Operating grants and contributions increased by \$1,006.

- OPEB and Pension changes made the greatest impact on net position. Deferred inflows of resources were increased by \$2,969 due to actuarial plan assessments for both entities.



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

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

**Governmental Funds**

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tullahoma's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Tullahoma's Governmental Funds reported combined ending fund balances of \$25,826, an increase of \$755 from the prior year, including a \$96 prior period adjustment.

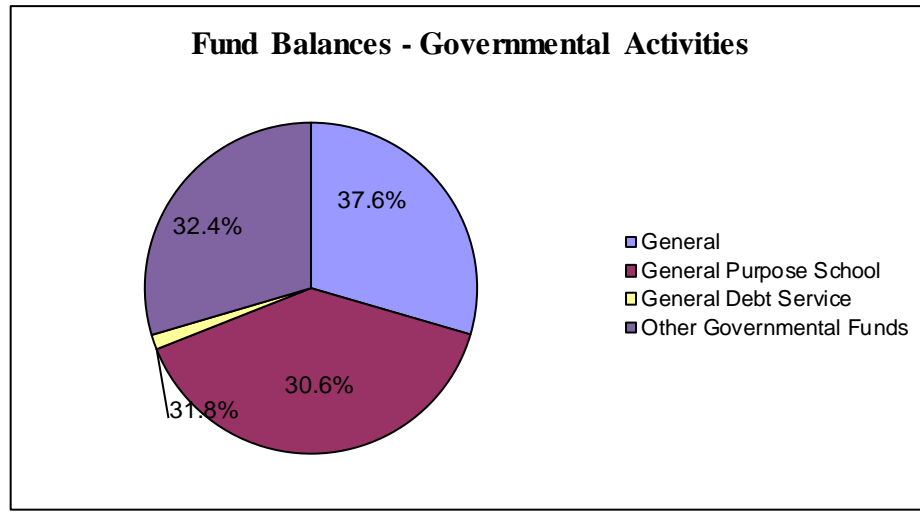
The City also operates a Solid Waste Fund, but this is not operated as a business-type activity. Although the city charges commercial customers for solid waste collection, residential collection, brush disposal, and litter collection are subsidized by a transfer of property tax dollars from the general fund. Recycling charges in this fund are primarily funded through the revenues generated.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

- The General Fund is the chief operating fund of the City. In the governmental fund financial statements, the City has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* where fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,847 while total fund balance amounted to \$7,634. As a matter of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out.
- Unassigned fund balance represents 34.8% of total General Fund expenditures and transfers out. The fund balance of the City's General Fund increased by \$422 as a result of the current fiscal year operations. The General Fund had \$60 in outstanding encumbrances at year end.
- The General Purpose School Fund has a total fund balance of \$10,208. For fiscal year 2020 expenditures increased by \$730, revenues increased by \$838, with the ending fund balance increasing by \$727.
- The General Debt Service fund has an ending fund balance of only \$375. Funds are transferred in from both the City General Fund and the Education Debt Service fund for payments on bonds and notes.
- Non-major Governmental Funds have an ending fund balance of \$7,609. This grouping consists primarily of city capital projects funds, school federal and state projects, education debt service, school food services, extended school program, school capital projects, equipment replacement fund, and solid waste management, and two grant funded commercial business revolving loan funds. Non-Major governmental funds generated a net fund balance decrease of \$507. This was primarily due to a decline of \$654 in Education Debit Service for the Tullahoma City Schools bond payments, and use of \$53 for Solid Waste Management and \$57 for Capital Projects.
- As part of the non-major governmental funds, the Education Debt Service Fund had a beginning fund balance of \$3,401, which decreased by \$654 to \$2,747 at year end. The fund experiences some payment fluctuation due to variable interest rate payments on a 2008 \$12,000 loan for school renovation projects. Those projects included the renovation of the Tullahoma High School football stadium and auditorium which were completed in fiscal year 2011, and the renovation and expansion of East Lincoln Elementary School which was completed in fiscal year 2012.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

- The City Capital Projects are the next largest non-major fund, with an ending balance of \$1,846, which decreased by \$57 from fiscal year 2019. Most of the projects in this group are for street paving, sidewalks, facilities and other infrastructure, and are funded by transfers from general fund, grant and debt issuances.



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

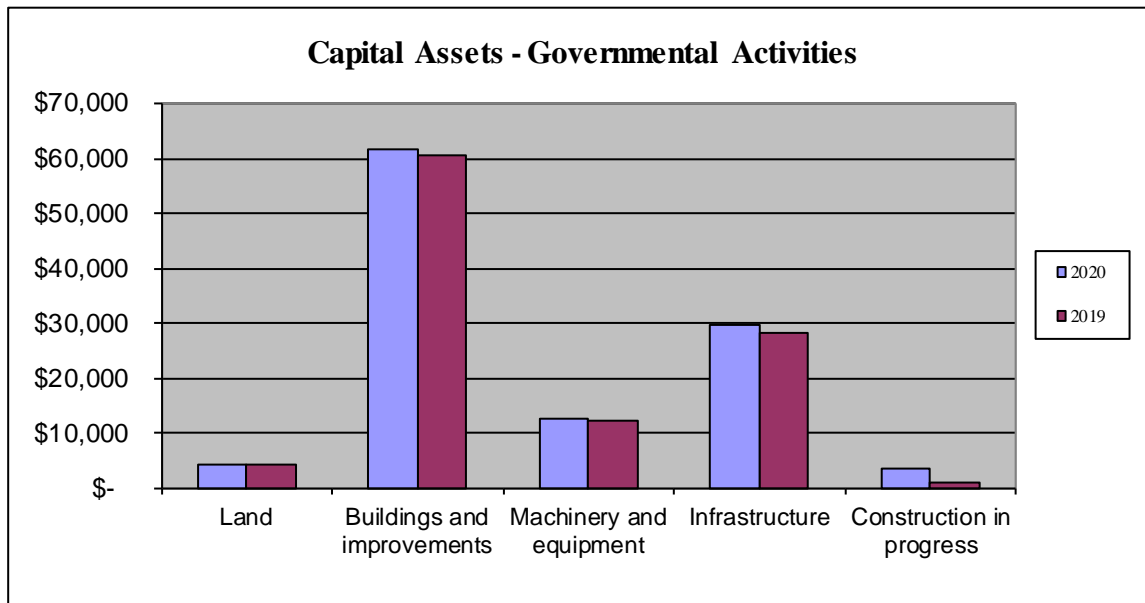
The City's investment in capital assets from its Governmental as of June 30, 2020, is shown as follows. The Government Accounting Standards Board required that infrastructure assets be inventoried and carried on the balance sheet as of 2007. Additional information concerning capital assets can be found in Note 6 of the Notes to the Financial Statements on pages B-37 and B-38 of this report.

**City of Tullahoma's Capital Assets**

	Governmental Activities		Total	
	2020	2019	2020	2019
Land	\$ 4,169	\$ 4,090	\$ 4,169	\$ 4,090
Buildings and improvements	61,532	60,684	61,532	60,684
Machinery and equipment	12,795	12,431	12,795	12,431
Infrastructure	29,807	28,312	29,807	28,312
Construction in progress	3,399	877	3,399	877
Total capital assets	<u>\$ 111,702</u>	<u>\$ 106,394</u>	<u>\$ 111,702</u>	<u>\$ 106,394</u>

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

The total capital assets in the Governmental Activities increased by \$5,308, with \$848 added to buildings and improvements, \$364 to the equipment account from school activities, and the remainder reflected primarily in City construction in progress which increased by \$2,522. Although containing some parks projects, most for the construction shown is for the City's new Police building which will be completed in FY2021. Machinery and equipment exhibited very little growth with the City disposing of \$37 in aged vehicles and equipment, but only replacing \$401. The City transferred \$786 in completed projects to infrastructure; mostly for paving, sidewalks and the greenway trail extension.



**Long-Term Debt**

- **Governmental Activities**

In fiscal year 2020, the City of Tullahoma drew down \$2,587 in construction loan proceeds for public works projects. This was offset by the total City and School debt principal payments of \$3,039 resulting in a decrease in long-term debt of \$482, excluding changes in other obligations payable. Other obligations payable include accrued vacation and sick leave and other obligations for both governmental entities. City of Tullahoma outstanding debt at year end consisted of bonds and notes totaling \$11,974. The Tullahoma City Schools outstanding debt amounted to \$19,898, plus \$14 in amortization of bond premiums. The City established a sinking fund by private act that appropriates a portion of sales tax collections towards payment of school debt. These proceeds are transferred monthly from the General Fund to the Education Debt Service Fund, and then transferred back to the City Debt Service Fund as payments become due. The Education Debt Service Fund reflected a balance of \$2,747 at year end while the City Debt Service Fund contained \$375. Additional information concerning debt can be found in Note 7 of the Notes to the Financial Statements on pages B-39 to B-42 of this report.

**CITY OF TULLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2020**  
(amounts expressed in thousands)

**City of Tullahoma's Outstanding Debt**

	Governmental Activities		Total	
	2020	2019, restated	2020	2019, restated
Notes payable	\$ 9,713	\$ 7,503	\$ 9,713	\$ 7,503
General obligation bonds	22,173	24,865	22,173	24,865
Other long-term liabilities	12,228	12,460	12,228	12,460
Total long-term debt	<u>\$ 44,114</u>	<u>\$ 44,828</u>	<u>\$ 44,114</u>	<u>\$ 44,828</u>

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tullahoma, Finance Department, P. O. Box 807, Tullahoma, TN 37388.





**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		Combined Discretely Presented Component Units
	Governmental Activities	Total	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 27,248,912	\$ 27,248,912	\$ 758,404
Investments	100,063	100,063	-
Investment - Stabilization Reserve Trust	212,600	212,600	-
Receivables	12,670,786	12,670,786	1,352
Allowance for doubtful accounts	(1,102,558)	(1,102,558)	-
Due from other governments	3,267,525	3,267,525	16,855
Inventory	-	-	11,030
Other assets	63,273	63,273	9,296
Notes receivable	1,174,761	1,174,761	-
Net pension asset	4,297,991	4,297,991	-
Capital assets:			
Land	4,168,845	4,168,845	1,738,799
Buildings and improvements	61,532,070	61,532,070	15,457,045
Furniture, machinery, and equipment	12,794,951	12,794,951	276,302
Construction in process	3,399,379	3,399,379	118,663
Infrastructure	29,806,656	29,806,656	-
Accumulated depreciation	(63,791,374)	(63,791,374)	(6,104,527)
<b>Total assets</b>	<b>95,843,880</b>	<b>95,843,880</b>	<b>12,283,219</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charges on refunding	173,372	173,372	-
Deferred outflows related to pension	5,508,079	5,508,079	13,496
Deferred outflows related to OPEB	1,345,958	1,345,958	-
<b>Total deferred outflows of resources</b>	<b>7,027,409</b>	<b>7,027,409</b>	<b>13,496</b>
<b>LIABILITIES:</b>			
Accounts payable	3,159,896	3,159,896	21,442
Accrued liabilities	1,530,183	1,530,183	-
Accrued interest payable	115,311	115,311	-
Other liabilities	-	-	17,730
Noncurrent liabilities:			
Due within one year	3,217,000	3,217,000	49,597
Due in more than one year	40,896,861	40,896,861	462,558
<b>Total liabilities</b>	<b>48,919,251</b>	<b>48,919,251</b>	<b>551,327</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred revenue	10,795,365	10,795,365	53,561
Deferred inflows related to pension	4,458,157	4,458,157	1,144
Deferred inflows related to OPEB	721,936	721,936	-
<b>Total deferred inflows of resources</b>	<b>15,975,458</b>	<b>15,975,458</b>	<b>54,705</b>
<b>NET POSITION:</b>			
Net investment in capital assets	16,209,639	16,209,639	11,129,990
Restricted:			
Restricted for debt service	3,121,406	3,121,406	-
Restricted for Investment - Stabilization Reserve Trust	212,600	212,600	-
Restricted for construction	1,846,046	1,846,046	-
Restricted for equipment replacement	902,603	902,603	-
Restricted for drug enforcement	101,980	101,980	-
Restricted for UDAG and USDA loans	1,990,392	1,990,392	-
Restricted for school operations	3,791,339	3,791,339	-
Restricted for net pension asset	4,297,991	4,297,991	-
Restricted - other	328,732	328,732	-
Unrestricted	5,173,852	5,173,852	560,693
<b>Total net position</b>	<b>\$ 37,976,580</b>	<b>\$ 37,976,580</b>	<b>\$ 11,690,683</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Combined Discretely Presented Component Units
					Governmental Activities	Total	
Primary government:							
Governmental activities:							
General government	\$ 5,248,460	\$ 2,992,075	\$ 3,303,181	\$ -	\$ 1,046,796	\$ 1,046,796	\$ -
Public safety:							
Police	3,001,443	35,719	-	-	(2,965,724)	(2,965,724)	-
Fire	2,969,401	-	-	-	(2,969,401)	(2,969,401)	-
Public works	5,026,792	-	-	-	(5,026,792)	(5,026,792)	-
Community services	710,425	-	-	-	(710,425)	(710,425)	-
Waste management	2,483,306	828,130	-	-	(1,655,176)	(1,655,176)	-
Education	37,980,340	908,976	28,522,491	-	(8,548,873)	(8,548,873)	-
Interest and other debt related costs	854,458	-	-	-	(854,458)	(854,458)	-
Total governmental activities	<u>58,274,625</u>	<u>4,764,900</u>	<u>31,825,672</u>	<u>-</u>	<u>(21,684,053)</u>	<u>(21,684,053)</u>	<u>-</u>
Total primary government	<u>\$ 58,274,625</u>	<u>\$ 4,764,900</u>	<u>\$ 31,825,672</u>	<u>\$ -</u>	<u>(21,684,053)</u>	<u>(21,684,053)</u>	<u>-</u>
Component units:							
Combined discretely presented component units	<u>\$ 2,261,655</u>	<u>\$ 158,297</u>	<u>\$ 813,264</u>	<u>\$ 15,000</u>	<u>-</u>	<u>-</u>	<u>(1,275,094)</u>
General revenues:							
Taxes:							
Property					10,844,430	10,844,430	-
Sales					11,240,967	11,240,967	-
Wholesale beer					602,618	602,618	-
Wholesale liquor					308,862	308,862	-
Business					1,341,056	1,341,056	-
Cable tv franchise					243,693	243,693	-
Hotel/Motel					284,332	284,332	-
Sale of fuel and oil					-	-	745,914
Other revenues					813,852	813,852	3,139
Unrestricted investment earnings					193,044	193,044	2,235
Gain on sale of property					5,680	5,680	-
Total general revenues and transfers					<u>25,878,534</u>	<u>25,878,534</u>	<u>751,288</u>
Change in net position					4,194,481	4,194,481	(523,806)
Net position, beginning, as previously presented					33,618,770	33,618,770	12,234,822
Adjustment to restate beginning net position (See Note 2)					163,329	163,329	(20,333)
Net position, beginning, as restated					<u>33,782,099</u>	<u>33,782,099</u>	<u>12,214,489</u>
Net position, ending					<u>\$ 37,976,580</u>	<u>\$ 37,976,580</u>	<u>\$ 11,690,683</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	General Purpose School	General Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 6,484,777	\$ 11,732,049	\$ 374,596	\$ 7,510,761	\$ 26,102,183
Investments	-	-	-	100,063	100,063
Receivables	12,577,947	8,005	-	84,834	12,670,786
Allowance for doubtful accounts	(1,075,067)	-	-	(27,491)	(1,102,558)
Due from other governments	1,562,536	178,826	-	1,526,163	3,267,525
Due from other funds	-	459,244	-	191,057	650,301
Other assets	11,447	-	-	-	11,447
Prepaid items	37,664	-	-	2,495	40,159
Notes receivable	-	-	-	1,174,761	1,174,761
Restricted assets:					
Investment - Stabilization Reserve Trust	-	212,600	-	-	212,600
Total assets	<u>\$ 19,599,304</u>	<u>12,590,724</u>	<u>\$ 374,596</u>	<u>\$ 10,562,643</u>	<u>\$ 43,127,267</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 213,191	\$ 1,274,064	\$ -	\$ 1,663,891	\$ 3,151,146
Accrued liabilities	185,263	5,629	-	38,931	229,823
Accrued payroll	162,800	1,102,597	-	34,963	1,300,360
Due to other funds	608,956	-	-	41,345	650,301
Total liabilities	<u>1,170,210</u>	<u>2,382,290</u>	<u>-</u>	<u>1,779,130</u>	<u>5,331,630</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	10,794,702	-	-	-	10,794,702
Unavailable revenue - other revenue	663	-	-	-	663
Unavailable revenue - loans	-	-	-	1,174,761	1,174,761
Total deferred inflows of resources	<u>10,795,365</u>	<u>-</u>	<u>-</u>	<u>1,174,761</u>	<u>11,970,126</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid items	37,664	-	-	2,220	39,884
Restricted for:					
Capital improvements	-	-	-	1,846,046	1,846,046
Debt service	19,594	-	374,596	2,746,810	3,141,000
Drug enforcement	-	-	-	101,980	101,980
Grant projects	-	-	-	958,221	958,221
School operations	-	9,703,459	-	590,972	10,294,431
Solid waste	-	-	-	205,483	205,483
Extended school	-	-	-	241,910	241,910
Equipment replacement	-	-	-	902,603	902,603
Other projects	114,722	-	-	-	114,722
Stabilization Reserve Trust	-	212,600	-	-	212,600
Committed to:					
Stabilization fund	1,554,478	-	-	-	1,554,478
Assigned	60,253	292,375	-	12,507	365,135
Unassigned	5,847,018	-	-	-	5,847,018
Total fund balances	<u>7,633,729</u>	<u>10,208,434</u>	<u>374,596</u>	<u>7,608,752</u>	<u>25,825,511</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,599,304</u>	<u>\$ 12,590,724</u>	<u>\$ 374,596</u>	<u>\$ 10,562,643</u>	<u>\$ 43,127,267</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

Fund balances - total governmental funds	\$ 25,825,511
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Amounts reported for governmental activities in the Statement of Net Position are different from amounts reported for governmental funds in the Balance Sheet because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in governmental funds.

Capital assets	111,701,901
Less accumulated depreciation	(63,791,374)

Net pension assets are not current financial resources; therefore, they are not reported in the governmental funds.	4,297,991
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Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds.

Bonds payable	(22,159,000)
Less deferred charge on refunding	173,372
Less deferred charge for issuance costs	11,667
Add bond premium	(13,660)
Accrued interest payable	(115,311)
Notes payable	(9,713,267)
Net pension liability	(3,977,598)
OPEB liability	(6,838,413)
Compensated absences	(1,411,923)

An internal service fund is used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	1,137,979
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Principal payments on notes receivable are revenues for governmental funds; therefore, they are reported as unearned revenues until they are received.	1,174,761
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expenses in future years.

Deferred outflows of resources related to pensions	5,508,079
Deferred outflows of resources related to OPEB	1,345,958
Deferred inflows of resources related to pensions	(4,458,157)
Deferred inflows of resources related to OPEB	(721,936)

Net position - total governmental activities	\$ 37,976,580
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The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General	General Purpose School	General Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 10,844,430	\$ -	\$ -	\$ -	\$ 10,844,430
Sales taxes	11,240,967	-	-	-	11,240,967
Other taxes	1,887,483	-	-	-	1,887,483
Payment in lieu of tax	893,078	-	-	-	893,078
Licenses and permits	168,102	-	-	-	168,102
Fines and forfeitures	151,114	-	-	-	151,114
Intergovernmental	3,222,313	6,428,848	-	-	9,651,161
Grants	13,820	18,162,327	-	3,993,364	22,169,511
Charges for services	238,699	254,699	-	1,518,126	2,011,524
Investment income	42,957	64,756	523	80,748	188,984
Note repayments	-	-	-	303,556	303,556
Sale of property	100	-	-	5,580	5,680
Other revenues	328,967	120,187	-	214,244	663,398
<b>Total revenues</b>	<b>29,032,030</b>	<b>25,030,817</b>	<b>523</b>	<b>6,115,618</b>	<b>60,178,988</b>
<b>EXPENDITURES:</b>					
Current:					
General government	1,995,610	-	-	-	1,995,610
Public safety:					
Police protection	2,963,367	-	-	-	2,963,367
Fire protection	2,905,456	-	-	-	2,905,456
Public works	2,493,873	-	-	-	2,493,873
Parks and recreation	1,817,731	-	-	-	1,817,731
Community services	697,364	-	-	-	697,364
Education:					
Administration	-	3,709,996	-	-	3,709,996
Regular education	-	17,989,335	-	843,141	18,832,476
Special education	-	4,160,118	-	867,946	5,028,064
Vocational education	-	618,698	-	14,098	632,796
Attendance	-	288,266	-	-	288,266
Health services	-	331,839	-	-	331,839
Other student support	-	831,747	-	13,838	845,585
Instructional staff	-	555,410	-	166,036	721,446
Plant operations	-	2,728,799	-	-	2,728,799
Plant maintenance	-	1,086,959	-	-	1,086,959
Transportation	-	186,805	-	-	186,805
Program costs	-	-	-	4,870,180	4,870,180
Debt service:					
Principal retirement	-	-	3,039,000	-	3,039,000
Interest	-	-	865,039	-	865,039
Fiscal charges	-	-	1,450	-	1,450
Capital outlay	248,803	1,297,567	-	4,248,648	5,795,018
Loans disbursed	-	-	-	268,591	268,591
<b>Total expenditures</b>	<b>13,122,204</b>	<b>33,785,539</b>	<b>3,905,489</b>	<b>11,292,478</b>	<b>62,105,710</b>
Excess (deficiency) of revenues over (under) expenditures	15,909,826	(8,754,722)	(3,904,966)	(5,176,860)	(1,926,722)
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of notes	-	-	-	2,586,602	2,586,602
Transfers in	-	9,482,183	3,961,224	5,135,009	18,578,416
Transfers out	(15,488,154)	-	-	(3,090,262)	(18,578,416)
<b>Total other financing sources (uses)</b>	<b>(15,488,154)</b>	<b>9,482,183</b>	<b>3,961,224</b>	<b>4,631,349</b>	<b>2,586,602</b>
<b>Net change in fund balances</b>	<b>421,672</b>	<b>727,461</b>	<b>56,258</b>	<b>(545,511)</b>	<b>659,880</b>
Fund balances, July 1, 2019	7,212,057	9,388,481	318,338	8,151,224	25,070,100
Prior period adjustment (See Note 2)	-	92,492	-	3,039	95,531
Fund balances, July 1, 2019, as restated	7,212,057	9,480,973	318,338	8,154,263	25,165,631
<b>Fund balances, June 30, 2020</b>	<b>\$ 7,633,729</b>	<b>\$ 10,208,434</b>	<b>\$ 374,596</b>	<b>\$ 7,608,752</b>	<b>\$ 25,825,511</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - governmental funds \$ 659,880

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays which include principal and interest payments on capital leases as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.

Acquisition of capital assets	5,344,815
Depreciation expense	(3,222,034)

The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs in the change in fund balances by the net book value of the capital assets sold. (988)

Bond and note proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of principal on bonds and notes payable is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities. Governmental funds include interest paid in debt service expenditures, whereas interest is accrued and expensed as it becomes payable for governmental activities.

Bond and note issuance:	
Notes	(2,586,602)
Bond and note principal repayments:	
To bonds and notes holder	3,039,000
Amortization of insurance costs	(1,795)
Amortization of deferred charges	(26,673)
Amortization of premium	29,046
Decrease in accrued interest expense	11,453
Loans disbursed	268,591
Principal received on notes receivable	(303,556)

An internal service fund is used by management to charge the costs of the employee health insurance program. The net revenue of the internal service fund is included in governmental activities. 308,769

Some expenses reported for governmental activities do not require the use of current financial resources; therefore, they are not reported as expenditures for governmental funds. Compensated absences are an expenditure when they are paid in the governmental funds, but are accrued and expended when they are incurred for governmental activities.

Change in compensated absences, net	(114,284)
Change in net pension liability and related deferrals	556,441
Change in OPEB liability and related deferrals	232,418

Change in net position - governmental activities	\$ 4,194,481
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The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Taxes:						
Property	\$ 10,844,430	\$ -	\$ 10,844,430	\$ 10,904,525	\$ 10,854,525	\$ (10,095)
Sales	11,240,967	-	11,240,967	10,620,553	11,170,554	70,413
Wholesale beer	602,619	-	602,619	579,510	589,510	13,109
Wholesale liquor	308,862	-	308,862	265,200	295,200	13,662
Business	447,978	-	447,978	417,264	437,264	10,714
Cable tv franchise	243,693	-	243,693	244,099	244,099	(406)
Hotel/motel	284,331	-	284,331	270,458	275,458	8,873
Total taxes	23,972,880	-	23,972,880	23,301,609	23,866,610	106,270
Payment in lieu of taxes	893,078	-	893,078	827,843	867,843	25,235
Licenses and permits	168,102	-	168,102	144,945	154,945	13,157
Fines and forfeitures	151,114	-	151,114	317,542	171,542	(20,428)
Intergovernmental:						
State of Tennessee sales tax	1,689,547	-	1,689,547	1,660,295	1,675,295	14,252
State of Tennessee gas tax	660,061	-	660,061	718,218	658,218	1,843
State of Tennessee income tax	212,471	-	212,471	143,424	208,424	4,047
TVA gross receipts	230,120	-	230,120	220,129	220,129	9,991
Mixed drink tax	110,524	-	110,524	90,481	90,481	20,043
Excise tax	77,090	-	77,090	118,041	118,041	(40,951)
Streets and transportation	37,036	-	37,036	37,310	37,310	(274)
State street contracts	120,071	-	120,071	14,080	14,080	105,991
Supplemental pay	48,000	-	48,000	-	48,000	-
State of Tennessee beer tax	8,739	-	8,739	9,328	9,328	(589)
Telecommunications tax	28,656	-	28,656	22,170	22,170	6,486
Total intergovernmental	3,222,313	-	3,222,315	3,033,476	3,101,476	120,839
State and federal grants	13,820	-	13,820	-	21,750	(7,930)
Charges for services	238,699	-	238,699	454,858	294,858	(56,159)
Investment income	42,957	-	42,957	50,505	50,505	(7,548)
Sale of property	100	-	100	-	-	100
Other revenues	328,967	-	328,967	672,500	821,641	(492,674)
Total revenues	29,032,030	-	29,032,032	28,803,278	29,351,170	(319,138)

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>EXPENDITURES:</b>						
General government:						
Legislative and judicial:						
Current:						
Salaries	\$ 37,615	\$ -	\$ 37,615	\$ 38,414	\$ 38,414	\$ 799
Payroll taxes	2,656	-	2,656	2,939	2,939	283
Benefits	44,974	-	44,974	86,137	45,707	733
Contract and professional	92,791	-	92,791	103,373	102,873	10,082
Travel and training	736	-	736	4,600	3,500	2,764
Supplies	3,216	-	3,216	2,200	3,550	334
Operating insurance	16,903	-	16,903	13,395	16,930	27
Other	40,841	(664)	40,177	44,265	45,850	5,673
Total legislative and judicial	239,732	(664)	239,068	295,323	259,763	20,695
Court system:						
Current:						
Salaries	17,248	-	17,248	17,482	17,482	234
Payroll taxes	2,439	-	2,439	2,699	2,699	260
Benefits	6,135	-	6,135	6,152	6,152	17
Contract and professional	16,500	-	16,500	20,000	20,000	3,500
Travel and training	-	-	-	375	343	343
Supplies	531	-	531	500	532	1
Operating insurance	588	-	588	640	590	2
Other	-	-	-	500	500	500
Total court system	43,441	-	43,441	48,348	48,298	4,857
City administrator:						
Current:						
Salaries	162,118	-	162,118	162,695	162,660	542
Payroll taxes	11,347	-	11,347	12,557	12,557	1,210
Benefits	51,593	-	51,593	52,754	52,629	1,036
Telephone and utilities	706	-	706	950	950	244
Repairs and maintenance	996	-	996	450	1,000	4
Travel and training	2,309	-	2,309	5,100	5,100	2,791
Supplies	192	-	192	300	300	108
Gas and oil	210	-	210	500	466	256
Operating insurance	2,476	-	2,476	2,607	2,482	6
Other	4,912	-	4,912	4,415	5,117	205
Total city administrator	236,859	-	236,859	242,328	243,261	6,402
Finance director:						
Current:						
Salaries	244,386	-	244,386	241,040	244,666	280
Payroll taxes	17,204	-	17,204	18,765	17,981	777
Benefits	71,003	-	71,003	72,993	71,116	113
Telephone and utilities	15,739	-	15,739	16,800	16,800	1,061
Contract and professional	3,066	-	3,066	3,000	3,100	34
Travel and training	3,439	-	3,439	3,900	3,900	461
Supplies	1,434	-	1,434	1,925	1,925	491
Operating insurance	3,237	-	3,237	3,406	3,246	9
Other	20,259	-	20,259	20,845	21,861	1,602
Total finance director	379,767	-	379,767	382,674	384,595	4,828

(continued)

The accompanying notes are an integral part of this financial statement.



**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
City recorder:						
Current:						
Salaries	\$ 140,211	\$ -	\$ 140,211	\$ 158,686	\$ 142,596	\$ 2,385
Payroll taxes	10,033	-	10,033	12,409	11,479	1,446
Benefits	47,240	-	47,240	56,555	49,388	2,148
Telephone and utilities	-	-	-	100	100	100
Contract and professional	-	-	-	1,000	1,000	1,000
Travel and training	1,422	-	1,422	3,751	3,751	2,329
Supplies	17,458	-	17,458	18,421	18,421	963
Operating insurance	1,685	-	1,685	2,024	2,024	339
Other	34,060	-	34,060	39,024	38,346	4,286
Total city recorder	252,109	-	252,109	291,970	267,105	14,996
Human resources:						
Current:						
Salaries	119,800	-	119,800	119,889	120,033	233
Payroll taxes	8,546	-	8,546	9,283	9,297	751
Benefits	34,875	-	34,875	34,869	34,876	1
Telephone and utilities	432	-	432	550	550	118
Contract and professional	5,765	-	5,765	20,970	9,631	3,866
Travel and training	1,783	-	1,783	4,800	4,800	3,017
Supplies	1,680	-	1,680	1,400	1,780	100
Operating insurance	1,424	-	1,424	1,418	1,428	4
Other	10,686	1,074	11,760	24,722	20,372	8,612
Total human resources	184,991	1,074	186,065	217,901	202,767	16,702
Information technology:						
Current:						
Salaries	68,625	-	68,625	65,960	69,792	1,167
Payroll taxes	4,825	-	4,825	5,101	5,955	1,130
Benefits	22,393	-	22,393	22,409	22,409	16
Telephone and utilities	10,560	-	10,560	12,000	12,000	1,440
Contract and professional	7,515	3,150	10,665	39,000	14,191	3,526
Supplies	1,897	-	1,897	300	2,000	103
Operating insurance	300	-	300	300	300	-
Other	36,395	-	36,395	24,000	38,207	1,812
Total information technology:	152,510	3,150	155,660	170,570	164,854	9,194
Community development:						
Current:						
Salaries	63,511	-	63,511	68,447	65,663	2,152
Payroll taxes	4,412	-	4,412	5,291	5,308	896
Benefits	21,404	-	21,404	22,557	22,557	1,153
Telephone and utilities	1,092	-	1,092	610	1,310	218
Travel and training	1,698	-	1,698	2,900	1,780	82
Supplies	228	-	228	200	350	122
Operating insurance	945	-	945	1,007	997	52
Other	12,983	-	12,983	24,900	17,001	4,018
Total community development	106,273	-	106,273	125,912	114,966	8,693

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
General government (continued):						
Planning:						
Current:						
Salaries	\$ 197,137	\$ -	\$ 197,137	\$ 245,290	\$ 201,056	\$ 3,919
Payroll taxes	13,955	-	13,955	19,039	15,039	1,084
Benefits	62,319	-	62,319	98,322	67,022	4,703
Contract and professional	7,461	-	7,461	7,250	10,772	3,311
Telephone and utilities	5,674	-	5,674	7,400	7,400	1,726
Repairs and maintenance	8,366	3,316	11,682	11,328	13,329	1,647
Travel and training	1,423	-	1,423	4,250	2,050	627
Supplies	3,083	-	3,083	4,000	4,055	972
Uniforms	157	-	157	1,250	979	822
Gas and oil	1,134	-	1,134	1,600	1,600	466
Operating insurance	7,629	-	7,629	7,626	7,629	-
Other	21,686	(1,700)	19,986	15,332	23,473	3,487
Total planning	330,024	1,616	331,640	422,687	354,404	22,764
Municipal building:						
Telephone and utilities	17,983	-	17,983	30,276	22,276	4,293
Rent	3,452	-	3,452	4,000	4,000	548
Repairs and maintenance	33,758	7,636	41,394	95,000	49,740	8,346
Operating insurance	14,711	-	14,711	14,768	14,768	57
Total municipal building	69,904	7,636	77,540	144,044	90,784	13,244
Total current	1,995,610	12,812	2,008,422	2,341,757	2,130,797	122,375
Capital outlay	160,269	-	160,269	19,305	161,444	1,175
Total general government	2,155,879	12,812	2,168,691	2,361,062	2,292,241	123,550
Public safety:						
Police:						
Current:						
Salaries	1,859,841	-	1,859,841	2,122,873	1,908,419	48,578
Payroll taxes	131,255	-	131,255	165,026	148,045	16,790
Benefits	638,942	-	638,942	776,578	667,059	28,117
Contract and professional	2,417	-	2,417	500	2,900	483
Telephone and utilities	12,991	-	12,991	20,525	19,793	6,802
Repairs and maintenance	36,405	-	36,405	62,401	52,568	16,163
Travel and training	6,441	6,600	13,041	27,720	26,520	13,479
Supplies	14,148	-	14,148	29,444	22,401	8,253
Uniforms	14,743	-	14,743	16,700	18,408	3,665
Gas and oil	65,471	-	65,471	76,661	72,097	6,626
Operating insurance	151,497	-	151,497	151,907	162,407	10,910
Other	29,216	-	29,216	38,396	49,826	20,610
Total current	2,963,367	6,600	2,969,967	3,488,731	3,150,443	180,476
Capital outlay	14,830	-	14,830	8,000	15,345	515
Total police	2,978,197	6,600	2,984,797	3,496,731	3,165,788	180,991

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>EXPENDITURES (continued):</b>						
Public safety (continued):						
Fire:						
Current:						
Salaries	\$ 1,747,306	\$ -	\$ 1,747,306	\$ 1,725,473	\$ 1,759,509	\$ 12,203
Payroll taxes	122,833	-	122,833	134,235	127,936	5,103
Benefits	566,895	-	566,895	607,139	574,011	7,116
Telephone and utilities	29,607	-	29,607	30,599	31,244	1,637
Repairs and maintenance	79,042	915	79,957	78,537	82,409	2,452
Hydrant rental	150,285	-	150,285	149,734	154,732	4,447
Travel and training	13,442	-	13,442	19,715	14,015	573
Supplies	33,620	-	33,620	30,823	33,968	348
Uniforms	19,508	-	19,508	20,900	19,600	92
Gas and oil	16,940	-	16,940	16,067	17,161	221
Operating insurance	112,448	-	112,448	114,921	112,511	63
Other	13,530	-	13,530	12,484	14,422	892
Total current	2,905,456	915	2,906,371	2,940,627	2,941,518	35,147
Capital outlay	27,683	-	27,683	28,000	28,000	317
Total fire	2,933,139	915	2,934,054	2,968,627	2,969,518	35,464
Total public safety	5,911,336	7,515	5,918,851	6,465,358	6,135,306	216,455
Public works:						
Current:						
Salaries	877,857	-	877,857	951,290	899,271	21,414
Payroll taxes	61,973	-	61,973	74,031	69,036	7,063
Benefits	328,520	-	328,520	377,234	341,870	13,350
Telephone and utilities	40,975	-	40,975	54,600	47,713	6,738
Street lights	368,355	-	368,355	385,000	369,000	645
State street aid expenditures	394,960	-	394,960	300,000	400,000	5,040
Contract and professional	73,111	50	73,161	106,110	81,610	8,449
Repairs and maintenance	69,737	26,728	96,465	160,796	121,236	24,771
Shop labor reimbursement	(59,529)	-	(59,529)	(75,000)	(55,000)	4,529
Travel and training	1,094	-	1,094	4,320	2,620	1,526
Supplies	33,657	-	33,657	42,273	38,649	4,992
Uniforms	7,573	-	7,573	9,080	9,280	1,707
Gas and oil	65,852	-	65,852	114,118	77,475	11,623
Parts and supplies	39,639	(3,055)	36,584	43,000	43,388	6,804
Materials	82,275	(197)	82,078	102,024	88,524	6,446
Operating insurance	90,792	-	90,792	99,606	97,606	6,814
Other	17,032	-	17,032	17,132	21,018	3,986
Total current	2,493,873	23,526	2,517,399	2,765,614	2,653,296	135,897
Capital outlay	39,519	(750)	38,769	38,769	38,769	-
Total public works	2,533,392	22,776	2,556,168	2,804,383	2,692,065	135,897
Parks and recreation:						
Current:						
Salaries	808,545	-	808,545	979,326	850,567	42,022
Payroll taxes	57,759	-	57,759	77,999	75,728	17,969
Benefits	217,966	-	217,966	229,533	222,471	4,505
Telephone and utilities	196,924	-	196,924	228,529	208,653	11,729
Street lights	11,494	-	11,494	12,202	12,202	708
Contract and professional	48,055	-	48,055	59,675	58,456	10,401
Repairs and maintenance	127,017	1,339	128,356	135,152	143,822	15,466
Travel and training	5,992	-	5,992	8,433	9,192	3,200

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES (continued):						
Parks and recreation (continued):						
Current (continued):						
Supplies	\$ 98,108	\$ 2,404	\$ 100,512	\$ 141,318	\$ 119,638	\$ 19,126
Uniforms	2,809	-	2,809	4,693	4,993	2,184
Gas and oil	12,647	-	12,647	13,573	13,738	1,091
Operating insurance	92,162	-	92,162	84,781	92,347	185
Other	136,151	-	136,151	151,917	149,121	12,970
Appropriations	2,102	-	2,102	9,000	5,000	2,898
Total current	1,817,731	3,743	1,821,474	2,136,131	1,965,928	144,454
Capital outlay	6,502	-	6,502	-	6,538	36
Total parks and recreation	1,824,233	3,743	1,827,976	2,136,131	1,972,466	144,490
Community services:						
Current:						
Telephone and utilities	35,006	-	35,006	34,040	36,260	1,254
Repairs and maintenance	1,466	-	1,466	500	1,500	34
Operating insurance	10,620	-	10,620	11,281	11,281	661
Other	1,631	-	1,631	4,168	3,448	1,817
Appropriations	648,641	3,750	652,391	652,120	659,272	6,881
Total current	697,364	3,750	701,114	702,109	711,761	10,647
Total community services	697,364	3,750	701,114	702,109	711,761	10,647
Total expenditures	13,122,204	50,596	13,172,800	14,469,043	13,803,839	631,039
Excess revenues over (under) expenditures	15,909,826	(50,596)	15,859,232	14,334,235	15,547,331	311,901
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	17,500	-	-
Transfers out	(15,488,154)	-	(15,488,154)	(14,351,738)	(15,547,331)	59,177
Total other financing sources (uses)	(15,488,154)	-	(15,488,154)	(14,334,238)	(15,547,331)	59,177
Net change in fund balance	421,672	(50,596)	371,078	(3)	-	371,078
Fund balance, July 1, 2019	7,212,057	(9,657)	7,202,400	7,212,057	7,212,057	(9,657)
Fund balance, June 30, 2020	\$ 7,633,729	\$ (60,253)	\$ 7,573,478	\$ 7,212,054	\$ 7,212,057	\$ 361,421

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL PURPOSE SCHOOL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental:						
Local shared taxes	\$ 6,428,848	\$ -	\$ 6,428,848	\$ 6,290,956	\$ 6,290,956	\$ 137,892
Federal and state	18,162,327	-	18,162,327	17,888,131	17,878,910	283,417
Charges for services	254,699	-	254,699	213,000	213,000	41,699
Interest income	64,756	-	64,756	25,000	25,000	39,756
Other	120,187	-	120,187	25,000	25,000	95,187
Total revenues	25,030,817	-	25,030,817	24,442,087	24,432,866	597,951
<b>EXPENDITURES:</b>						
Current:						
Administration:						
Salaries	1,536,471	-	1,536,471	1,596,253	1,561,753	25,282
Payroll taxes	121,568	-	121,568	122,113	132,113	10,545
Benefits	1,025,587	-	1,025,587	1,282,081	1,177,081	151,494
Contract services	319,273	-	319,273	255,000	327,000	7,277
Travel	13,462	-	13,462	15,000	15,000	1,538
Supplies	29,107	-	29,107	30,700	30,700	1,593
Other	271,101	-	271,101	97,900	288,400	17,299
Insurance	393,427	-	393,427	379,200	514,200	120,773
Total administration	3,709,996	-	3,709,996	3,778,247	4,046,247	336,251
Regular education:						
Salaries	13,011,521	-	13,011,521	13,180,135	13,037,562	26,041
Payroll taxes	932,932	-	932,932	1,008,280	940,297	7,365
Benefits	3,383,117	-	3,383,117	3,357,585	3,397,697	14,580
Travel	16,879	-	16,879	30,000	17,000	121
Supplies	255,336	-	255,336	240,000	253,578	(1,758)
Books	327,964	-	327,964	280,000	330,000	2,036
Other	61,586	-	61,586	-	62,000	414
Total regular education	17,989,335	-	17,989,335	18,096,000	18,038,134	48,799
Special education:						
Salaries	2,932,973	-	2,932,973	2,925,612	3,034,294	101,321
Payroll taxes	212,287	-	212,287	223,809	221,158	8,871
Benefits	828,271	-	828,271	813,444	860,929	32,658
Contract services	103,704	-	103,704	100,000	157,117	53,413
Travel	6,549	-	6,549	40,000	40,000	33,451
Supplies	14,502	-	14,502	30,000	30,000	15,498
Other	61,832	-	61,832	66,300	81,847	20,015
Total special education	4,160,118	-	4,160,118	4,199,165	4,425,345	265,227
Vocational education:						
Salaries	439,574	-	439,574	469,098	469,098	29,524
Payroll taxes	31,496	-	31,496	35,886	35,886	4,390
Benefits	120,761	-	120,761	131,760	131,760	10,999
Travel	5,000	-	5,000	5,000	5,000	-
Supplies	16,176	4,774	20,950	15,000	15,000	(5,950)
Other	5,691	-	5,691	5,000	5,000	(691)
Total vocational education	618,698	4,774	623,472	661,744	661,744	38,272
Attendance:						
Salaries	217,260	-	217,260	155,000	250,000	32,740
Payroll taxes	16,129	-	16,129	11,858	11,858	(4,271)
Benefits	44,308	-	44,308	44,900	44,900	592
Travel	3,489	-	3,489	6,500	6,500	3,011
Other	7,080	-	7,080	4,000	4,000	(3,080)
Total attendance	288,266	-	288,266	222,258	317,258	28,992

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL PURPOSE SCHOOL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Current:						
Health services:						
Salaries	\$ 219,053	\$ -	\$ 219,053	\$ 241,557	\$ 220,000	\$ 947
Payroll taxes	15,622	-	15,622	18,480	18,480	2,858
Benefits	51,054	-	51,054	71,956	71,956	20,902
Supplies	46,110	-	46,110	30,000	47,000	890
Total health services	331,839	-	331,839	361,993	357,436	25,597
Other student support:						
Salaries	598,585	-	598,585	599,352	599,352	767
Payroll taxes	43,500	-	43,500	37,160	37,160	(6,340)
Benefits	141,662	-	141,662	133,721	141,721	59
Contract services	48,000	-	48,000	-	50,000	2,000
Other	-	-	-	15,000	15,000	15,000
Total other student support	831,747	-	831,747	785,233	843,233	11,486
Instructional staff:						
Salaries	386,154	-	386,154	396,378	396,378	10,224
Payroll taxes	28,012	-	28,012	30,322	30,322	2,310
Benefits	86,120	-	86,120	92,518	92,518	6,398
Contract services	-	-	-	3,000	3,000	3,000
Books	48,504	580	49,084	50,000	50,000	916
Other	6,620	-	6,620	3,000	3,000	(3,620)
Total instructional staff	555,410	580	555,990	575,218	575,218	19,228
Plant operations:						
Salaries	740,681	-	740,681	762,437	741,437	756
Payroll taxes	53,734	-	53,734	58,326	58,326	4,592
Benefits	217,742	-	217,742	238,576	216,876	(866)
Contract services	510,619	-	510,619	475,000	511,000	381
Supplies	109,080	-	109,080	150,000	110,000	920
Maintenance and repairs	1,062	-	1,062	-	-	(1,062)
Utilities	995,796	-	995,796	1,287,000	996,500	704
Other	100,085	-	100,085	-	100,050	(35)
Total plant operations	2,728,799	-	2,728,799	2,971,339	2,734,189	5,390
Plant maintenance:						
Salaries	442,778	-	442,778	457,935	442,935	157
Payroll taxes	32,596	-	32,596	35,032	35,032	2,436
Benefits	87,335	-	87,335	93,992	83,992	(3,343)
Maintenance and repairs	523,995	-	523,995	410,000	532,200	8,205
Other	255	-	255	-	-	(255)
Total plant maintenance	1,086,959	-	1,086,959	996,959	1,094,159	7,200
Transportation:						
Salaries	100,585	-	100,585	85,192	100,192	(393)
Payroll taxes	7,615	-	7,615	6,517	6,517	(1,098)
Benefits	2,539	-	2,539	1,290	1,290	(1,249)
Contract services	489	-	489	-	-	(489)
Maintenance and repairs	30,143	-	30,143	30,000	30,000	(143)
Other	28,368	-	28,368	32,000	32,000	3,632
Insurance	17,066	-	17,066	14,500	17,500	434
Total transportation	186,805	-	186,805	169,499	187,499	694

(continued)

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL PURPOSE SCHOOL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
EXPENDITURES: (Continued)						
Community services:						
Other	-	-	-	7,000	7,000	7,000
Total community services	-	-	-	7,000	7,000	7,000
Capital outlay	1,297,567	285	1,297,852	757,000	1,318,960	21,108
Total expenditures	33,785,539	5,639	33,791,178	33,581,655	34,606,422	815,244
Excess revenues over (under) expenditures	(8,754,722)	(5,639)	(8,760,361)	(9,139,568)	(10,173,556)	1,413,195
OTHER FINANCING SOURCES (USES):						
Transfer from the City of Tullahoma	9,482,183	-	9,482,183	9,139,568	9,139,568	342,615
Transfer to other funds	-	-	-	-	-	-
Total other financing sources (uses)	9,482,183	-	9,482,183	9,139,568	9,139,568	342,615
Net change in fund balance	727,461	(5,639)	721,822	-	(1,033,988)	1,755,810
Fund balance, July 1, 2019	9,388,481	-	9,388,481	9,388,481	9,388,481	-
Prior period adjustment	92,492	-	92,492	92,492	92,492	-
Fund balances, July 1, 2019, as restated	9,480,973	-	9,480,973	9,480,973	9,480,973	-
Fund balance, June 30, 2020	\$ 10,208,434	\$ (5,639)	\$ 10,202,795	\$ 9,480,973	\$ 8,446,985	\$ 1,755,810

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
	<u>Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,146,729
Total current assets	<u>1,146,729</u>
Total assets	<u>1,146,729</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	<u>8,750</u>
Total current liabilities	<u>8,750</u>
Total liabilities	<u>8,750</u>
NET POSITION	
Unrestricted	<u>1,137,979</u>
Total net position	<u><u>\$ 1,137,979</u></u>

The accompanying notes are an integral part of this financial statement.



**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Charges for services	\$ 2,434,160
Other operating revenue	155,454
Total operating revenues	<u>2,589,614</u>
OPERATING EXPENSES:	
Medical claims	2,242,365
Contract and professional	38,850
Supplies	<u>3,690</u>
Total operating expenses	<u>2,284,905</u>
OPERATING INCOME	304,709
NONOPERATING REVENUES (EXPENSES):	
Interest income	<u>4,060</u>
Total non-operating revenues (expenses)	<u>4,060</u>
Change in net position	308,769
Total net position, beginning of year	<u>829,210</u>
Total net position, end of year	<u><u>\$ 1,137,979</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers/employees	\$ 2,434,160
Cash received from pharmacy rebate	155,454
Cash paid to suppliers	(2,303,801)
Net cash provided (used) by operating activities	285,813
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and other income	4,060
Net cash provided in investing activities	4,060
Net increase (decrease) in cash and cash equivalents	289,873
Cash and cash equivalents, beginning of year	856,856
Cash and cash equivalents, end of year	\$ 1,146,729
Cash accounts consists of:	
Cash and cash equivalents	\$ 1,146,729
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS</u></b>	
Operating Income:	\$ 304,709
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Prepaid items	1,082
Increase (decrease) in:	
Accounts payable	(19,978)
Total adjustments	(18,896)
Net cash provided by operating activities	\$ 285,813

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2020**

	Governmental Type		Proprietary Type	Total Component Units
	Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 28,264	\$ 315,922	\$ 414,218	\$ 758,404
Accounts receivable	-	-	1,352	1,352
Due from other governments	-	-	16,855	16,855
Inventory	-	-	11,030	11,030
Prepaid expenses	-	-	4,299	4,299
Other assets	-	-	4,997	4,997
Capital assets:				
Land	-	-	1,738,799	1,738,799
Buildings and improvements	-	-	15,457,045	15,457,045
Furniture, machinery, and equipment	-	-	276,302	276,302
Construction in progress	-	-	118,663	118,663
Accumulated depreciation	-	-	(6,104,527)	(6,104,527)
Total assets	<u>28,264</u>	<u>315,922</u>	<u>11,939,033</u>	<u>12,283,219</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
Deferred outflows related to pension	-	-	13,496	13,496
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>13,496</u>	<u>13,496</u>
<b>LIABILITIES:</b>				
Accounts payable	560	8,787	12,095	21,442
Other liabilities	2,000	4,061	11,669	17,730
Long-term liabilities:				
Due within one year	-	5,493	44,104	49,597
Due in more than one year	-	49,313	413,245	462,558
Total liabilities	<u>2,560</u>	<u>67,654</u>	<u>481,113</u>	<u>551,327</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred revenue	-	-	53,561	53,561
Deferred inflows related to pension	-	-	1,144	1,144
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>54,705</u>	<u>54,705</u>
<b>NET POSITION:</b>				
Net investment in capital assets	-	-	11,129,990	11,129,990
Unrestricted	25,704	248,268	286,721	560,693
Total net position	<u>\$ 25,704</u>	<u>\$ 248,268</u>	<u>\$ 11,416,711</u>	<u>\$ 11,690,683</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Type		Proprietary Type	
					Industrial Development Board	Area Economic Development Corporation	Municipal Airport Authority	Total Component Units
Industrial Development Board	\$ 215,761	\$ 36,000	\$ 60,000	\$ -	\$ (119,761)	\$ -	\$ -	\$ (119,761)
Area Economic Development Corporation	306,832	-	399,191	-	-	92,359	-	92,359
Municipal Airport Authority	1,739,062	122,297	354,073	15,000	-	-	(1,247,692)	(1,247,692)
Total component units	<u>\$ 2,261,655</u>	<u>\$ 158,297</u>	<u>\$ 813,264</u>	<u>\$ 15,000</u>	<u>(119,761)</u>	<u>92,359</u>	<u>(1,247,692)</u>	<u>(1,275,094)</u>
General revenues:								
Unrestricted investment earnings					517	724	994	2,235
Sale of fuel and oil					-	-	745,914	745,914
Other revenues					-	-	3,139	3,139
Total general revenues and transfers					<u>517</u>	<u>724</u>	<u>750,047</u>	<u>751,288</u>
Change in net position					(119,244)	93,083	(497,645)	(523,806)
Net position, beginning, as previously presented					144,948	154,347	11,935,527	12,234,822
Adjustment to restate beginning net position (See Note 2)					-	838	(21,171)	(20,333)
Net position, beginning, as restated					<u>144,948</u>	<u>155,185</u>	<u>11,914,356</u>	<u>12,214,489</u>
Net position, ending					<u>\$ 25,704</u>	<u>\$ 248,268</u>	<u>\$ 11,416,711</u>	<u>\$ 11,690,683</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Tullahoma, Tennessee (the City) was chartered by private act in 1903. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, health and social services, recreation, public improvements, planning and zoning, general administrative, and public education.

**A. Reporting Entity**

The financial statements of the City present the primary government and its component units. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component unit is reported in a separate column from primary government in the government-wide financial statements to emphasize they are legally separate from the City.

As of June 30, 2020, the City has no blended component units.

The City reports the following discretely presented component units:

**Tullahoma Municipal Airport Authority** (The Authority) operates and maintains the airport and its related property. The Authority is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives an annual operating subsidy from the City.

**Tullahoma Industrial Development Board** (The TIDB) was established in order to promote industry and develop trade for the City and surrounding county government. The TIDB is required to have annual budgets and debt issues approved by the Mayor and Aldermen.

**Tullahoma Area Economic Development Corporation** (The TAEDC) was established to help Tullahoma capture economic activity. The TAEDC is required to submit an annual budget document to the Mayor and Aldermen for their approval, and receives an annual operating subsidy from the City.

The financial statements of the component units are available as part of the City of Tullahoma Comprehensive Annual Financial Report and can be obtained from the City of Tullahoma finance office:

P.O. Box 807  
201 West Grundy Street  
Tullahoma, Tennessee 37388

All discretely presented component units have a June 30 fiscal year-end.

**B. Jointly Governed Organizations**

Jointly governed organizations are excluded from the financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, due to the City's lack of financial accountability for their operations. The following related agencies provide services within the City:

**Duck River Utility Commission:**

The City, in conjunction with the City of Manchester, appoints the Board of the Duck River Utility Commission (DRUC), which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six-member board. Neither city has any other responsibility for the commission. The City has no equity interest in the net resources of the Commission.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets of the DRUC are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the DRUC. The DRUC reported net position of \$2,484,143 as of June 30, 2020. Complete financial statements can be obtained by writing P.O. Box 1237, Tullahoma, TN 37388.

Interlocal Solid Waste Authority:

The Interlocal Solid Waste Authority (The ISWA) was created pursuant to an interlocal agreement authorized by State Statutes in March 1993. Its Board is composed of two members from each of the adjoining counties of Bedford, Franklin, Lincoln, Moore, and City of Tullahoma. The purpose of the ISWA is to provide solid waste recycling and disposal services to the City and the four county areas. The ISWA entered into an agreement with a waste recycling company for recycling of its solid waste. The City has an ongoing financial responsibility to fund its Pro Rata share of costs incidental to the operation of the ISWA. During 2020, these costs amounted to \$632,301 and were paid from the Solid Waste Fund of the City. The City has no equity interest in the ISWA. The ISWA had reported net position of \$716,801 as of June 30, 2020. Complete financial statements can be obtained by writing Interlocal Solid Waste, C/O City of Tullahoma, P.O. Box 807, Tullahoma, TN 37388.

Tullahoma Utilities Authority:

The Tullahoma Utilities Authority (TUA) was formed April 27, 2016, pursuant to Private Chapter No. 54 of the Private Acts, 2016 cited as the Tullahoma Utilities Authority Act and, as such, is a political subdivision of the State of Tennessee. The legislation creating the Authority amended Chapter 553 of the act that established Tullahoma Utilities Board. The TUA was created as a separate legal entity for the purpose of planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric, water, wastewater and telecommunications utility systems within or outside the corporate limits of the City of Tullahoma, Tennessee, and other such utility systems, such as a municipal water, wastewater, telecommunications or electric utility as authorized by the general laws of the State of Tennessee to own or operate. The TUA reported net position of \$55,133,776 as of June 30, 2020. Complete financial statements can be obtained by writing 901 South Jackson Street, Tullahoma, TN 37388.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. Statement of Net Position and Statement of Changes in Net Position) report information on the activities of the Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The **Statement of Net Position** presents the Government's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

**Net investment in capital assets** consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. The outstanding debt is offset by any unspent proceeds for such debt.

**Restricted net position** results from restrictions placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** consists of all other net position that does not meet the definition of the two preceding categories.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; non-major funds are combined in a single column.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. All material interfund activity has been removed from these statements. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to non-vested sick pay, compensated absences and other long-term commitments and contingencies are recorded only when payment is due.

Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Funds operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The Enterprise Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and expenses are recognized when they are incurred.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, except for services provided and used, which are not eliminated in the process of consolidation.

Amounts reported as **program revenues** include 1) charges to customers for goods, services or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Amounts reported as **general revenues** include 1) all taxes, 2) unrestricted revenues for the use of money or property, 3) unrestricted revenues from other governmental agencies, and 4) compensation for loss, sale or damage of property.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenses reported by function include **direct expenses** that are specifically associated with a service or program and are clearly identifiable to a particular program. Some functions, such as general government and fiscal administration, include expenses that are in essence **indirect expenses** of other functions. The City has elected not to cost allocate those charges within a fund, but does apportion them to other funds and agencies utilizing the services.

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 and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which is used to account for all financial resources of the general operations of the Government, except those required to be accounted for in another fund.

The **General Purpose School Fund** is used for the receipt and disbursement of federal, state and local funds for all education purposes, including capital projects and debt payments, which may require transfer to another fund.

The **General Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt.

Additionally, the Government reports the following fund types:

An **Internal Service Fund** is used to account for the operations of self-sustaining agencies rendering services to other agencies of the government on a cost reimbursement basis. These services include the medical trust fund used to account for the employee health insurance program.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits, savings accounts and certificates of deposit having an original maturity date of three months or less.

For purposes of reporting cash flows in the Enterprise Fund, cash and cash equivalents includes designated amounts classified on the balance sheet as "Restricted Assets."

Investments – The City is reporting investments at fair value, except for investments with a remaining maturity, at the time of purchase, of one year or less, which are reported on an amortized cost basis. Investments consist of certificates of deposit with original maturity of more than three months.

Inventories and Prepaid Items – Material and supply inventories are valued at cost in governmental funds and the lower of cost or market in the enterprise funds, with cost being determined on an average cost basis. All funds account for inventories using the consumption method. Prepaid items in both the government-wide and fund financial statements represent payments to vendors that reflect costs applicable to future periods.

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectible accounts.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Interfund Receivables and Payables and Transactions Between Funds – Short-term amounts owed between funds are classified as “Due to/from other funds.” Legally authorized transfers are included in the results of operations of Governmental Funds.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are generally defined as assets with an individual cost in excess of \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost at the time of acquisition. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is not capitalized on assets acquired with tax-exempt debt.

Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Buildings and improvements	30 years
Improvements other than buildings	20 years
Furniture, machinery and equipment	5 - 15 years
Infrastructure	17 - 20 years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized on the straight-line method over the shorter of the economic useful life of the asset or the remaining lease term.

Appropriations – Appropriations to other funds are accounted for as interfund transfers.

Compensated Absences – City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. After five years of employment, employee sick leave vests at varying percentages up to a maximum of 50% after 10 years of service. Accumulated unpaid vacation pay related to proprietary fund type operations is reported as a liability in the appropriate individual proprietary funds.

School Board employees’ vacation time must be used in each fiscal year and cannot be carried forward to subsequent fiscal years; therefore, no adjustment has been made for vacation time. For sick time, non-certified personnel, after a minimum of ten years of service with Tullahoma City Schools, will be paid \$25 for each unused accumulated sick day upon termination of employment by resignation or retirement. Sick time for certified personnel is rolled into their retirement time.

Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources. The current portion of this debt is estimated based on historical trends.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Reserves, Designations of Fund Balances – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is reported in the fund financial statements under the following classifications:

**Nonspendable fund balance** – Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).

**Restricted fund balance** – Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

**Committed fund balance** – Amounts constrained for specific purposes as determined by formal action of the City Board of Mayor and Aldermen, the highest level of decision-making body, by resolution. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the City Board of Mayor and Aldermen removes or changes the commitment by taking the same action it employed to impose the commitment.

**Assigned fund balance** – Amounts are intended to be used by the City but do not meet the criteria of restricted or committed. Intent can be expressed by the Mayor and Board of Aldermen or by an official who has been designated this authority by the City Board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

**Unassigned fund balance** – In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any of the other classifications.

**Stabilization policy** – The City has a fund balance policy that requires that the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources. The City will maintain at least 15% of the next year's budget in the unassigned fund balance to committed fund balance of the general fund. For the current fiscal year, the City did meet the minimum general fund balance policy. As of June 30, 2020, stabilization fund was \$1,554,478 and reclassified to committed fund balance.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Spending policy** – Unless otherwise stated, the fund balances will be spent in the following order:

Restricted  
Committed  
Assigned  
Unassigned

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 the City Pension Plan and the Tullahoma Board of Education Plans and additions/deductions from the plan net positions have been determined on the same basis as they are reported by the plans.

Benefit payments (including refunds of employee contributions) are recognized in the fund financial statements when due and payable in accordance with the benefit terms. Payments made after the measurement date are deferred in government-wide statements. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

Postemployment healthcare benefits other than pension benefits of the Tullahoma Board of Education plans are accounted for under GASB statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

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 represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City has the following items that qualify for reporting in this category: (1) deferred charge on bond refundings resulting from the difference in the carrying amount of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; (2) deferred outflows of resources relating to pensions and other postretirement benefits resulting from differences between expected and actual actuarial experience, certain changes in actuarial assumptions, differences between actual and expected investment earnings, and amounts of employer contributions to the plans made subsequent to the measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has the following items that qualify for reporting in this category: the unavailable revenue reported in the governmental funds balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. These amounts relate to the unavailable revenue from uncollected property taxes (including penalties and interest) and unavailable revenues relating to loans. The deferred inflows of resources reported in the statement of net position, arise from property tax levied on January 1, 2020, will not be available for collection until fiscal year 2021, beginning October 1, 2020. Certain amounts related to pensions and other postretirement benefit must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Revenues, Expenditures and Expenses**

Property Tax – The City’s property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City’s legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

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

Public Utility Property	55%
Industrial and Commercial Property – Real	40%
Industrial and Commercial Property – Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$2.4305 for property located in Coffee and \$2.4305 for property located in Franklin Counties per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$10,383,647 for the fiscal year ended June 30, 2020 were approximately 96% of the tax levy.

During March of each tax year, delinquent taxes are turned over to the County for collection.

Bond premiums and discounts – Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issue costs are expensed in the period incurred.

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

Estimates – Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**G. Recent Accounting Pronouncements**

They City has included the applicable accounting and reporting requirement of statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which has certain provisions effective for the fiscal period ending June 30, 2020. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The following are additional accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City’s financial statements.

The GASB issued Statement No. 87, *Leases*, which has certain provisions effective for fiscal period fiscal years beginning after June 15, 2021 (fiscal year 2022) for the City. This Statement improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported, requiring lessees and lessors to report leases under a single model, and requiring notes related to the timing, significance, and purpose of leasing arrangements.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, certain provisions effective for the fiscal period beginning after December 15, 2020 (fiscal year 2022 for the City). This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

The GASB issued statement No. 91, *Conduit Debt Obligations*, which has certain provisions for the fiscal period beginning after December 15, 2021 (fiscal year 2023 for the City). This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.

**H. Date of Management's Subsequent Review**

Management has evaluated subsequent events through March 31, 2021, which is the date the financial statements were available to be issued.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

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

- a. On or before May 1 of each year, all agencies of the City submit requests for appropriations to the City Administrator and Finance Director so that a budget may be prepared and submitted to the Board of Mayor and Aldermen.
- b. Prior to July 1, the budget is legally enacted through passage of an ordinance for the General, Special Revenue and Debt Service Funds of the City. The Board of Education submits its budgets to the City for approval by the Board of Mayor and Aldermen.
- c. The City Administrator and Finance Director are authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level.
- d. The Board of Education follows its own policy for budgetary revisions during the year with changes submitted to the Board of Mayor and Aldermen when revised.
- e. Budgets for all funds use the encumbrance method of accounting whereby encumbrances are treated as expenditures in the year of incurrence of the commitment to purchase. The adjustments to convert budget basis excess revenues over expenditures to GAAP represent the net changes in encumbrances outstanding at year end after consideration is given to prior year encumbrances liquidated during the current year. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted and as amended by the Board. Individual amendments are not material in relation to the original appropriations. Capital Projects Funds adopt their budgets on a project length basis; therefore, budgetary comparison statements on an annual basis would not provide meaningful information and are not presented.
- f. All appropriations which are not expended or encumbered lapse at year-end.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

- g. The following supplemental budgetary appropriations were enacted by the Board of Mayor and Aldermen during the fiscal year 2020:

General Purpose School Fund	\$ 1,024,767
School Federal and State Projects Fund	229,965
Drug Enforcement Fund	57,566

Encumbrances – Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are classified as restricted, committed or assigned fund balances depending on the governmental fund purpose and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**B. Prior Period Adjustment**

In FY2019, Tullahoma Board of Education placed part of the contribution into Pension Stabilization Reserve Trust, and also the City beginning balance of OPEB liability was adjusted. As a result, a direct adjustment was made to net position in the amount of \$160,290 for governmental-wide activities, \$2,323 for component units and for fund balance in the amount of \$92,492.

In addition, adjustments to prior period financial statements were made to correct errors discovered during the audit.

	Government-wide Activities	Component Units
Net position, beginning, as previously presented	\$ 33,618,770	\$ 12,234,822
To adjust OPEB liability as of July 1, 2019	67,798	2,323
To adjust Investment - Stabilization Reserve Trust	92,492	-
Prior period adjustments	3,039	(22,656)
Net position, beginning, as restated	<u>\$ 33,782,099</u>	<u>\$ 12,214,489</u>

	General Purpose School Fund	Non-major Governmental Funds Federal and State Projects Fund	Total
Fund balance, beginning , as previously presented	\$ 9,388,481	\$ 145,753	\$ 9,534,234
To adjust Investment - Stabilization Reserve Trust	92,492	-	92,492
Prior period adjustments	-	3,039	3,039
Fund balance, beginning, as restated	<u>\$ 9,480,973</u>	<u>\$ 148,792</u>	<u>\$ 9,629,765</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City and component units are authorized by policy to invest funds in financial institutions and direct obligations of the Federal Government. During 2020, the City and component units invested funds that are not immediately needed in certificates of deposit, savings accounts, money market accounts, and the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account or in a second bank for the benefit of the City and must have a total minimum fair value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

**A. Deposits**

*Custodial Credit Risk:* The City's policies limit deposits to those instruments allowed by applicable state laws and described above. As of June 30, 2020, all deposits were fully collateralized.

**B. Investments**

*Credit Risk:* The City does not have a formal investment policy; however, management's current investment practice is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

*Interest Rate Risk:* Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool (the Pool) are available daily. The Pool does not have a credit rating.

**NOTE 4 - TCRS STABILIZATION RESERVE TRUST**

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

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

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 - TCRS STABILIZATION RESERVE TRUST (continued)**

Investments are reported at fair value or amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2020, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

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

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



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 - TCRS STABILIZATION RESERVE TRUST (continued)**

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

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

*Teacher Retirement Plan*

At June 30, 2020, Tullahoma Board of Education had the following investments held by the trust on its behalf related to its TCRS Teacher Retirement Plan.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 43,694
Developed Market International Equity	N/A	N/A	19,733
Emerging Market International Equity	N/A	N/A	5,638
U.S. Fixed Income	N/A	N/A	28,190
Real Estate	N/A	N/A	14,095
Short-term Securities	N/A	N/A	1,409
Investments at Amortized Cost using NAV:			
Private Equity and Strategic Lending	N/A	N/A	28,190
Total			<u>\$ 140,949</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 - TCRS STABILIZATION RESERVE TRUST (continued)**

Investment by Fair Value Level	Fair Value Measurements Using				Amortized Cost
	Fair Value 6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobserv- able Inputs (Level 3)	NAV
U.S. Equity	\$ 43,694	\$ 43,694	\$ -	\$ -	\$ -
Developed Market International Equity	19,733	19,733	-	-	-
Emerging Market International Equity	5,638	5,638	-	-	-
U.S. Fixed Income	28,190	-	28,190	-	-
Real Estate	14,095	-	-	14,095	-
Short-term Securities	1,409	-	1,409	-	-
Private Equity and Startegic Lending	28,190	-	-	-	28,190
Total	<u>\$ 140,949</u>	<u>\$ 69,065</u>	<u>\$ 29,599</u>	<u>\$ 14,095</u>	<u>\$ 28,190</u>

*Retirement Hybrid Plan with Cost Controls*

At June 30, 2020, Tullahoma Board of Education had the following investments held by the trust on its behalf related to its TCRS Retirement Hybrid Plan with Cost Controls.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 22,212
Developed Market International Equity	N/A	N/A	10,031
Emerging Market International Equity	N/A	N/A	2,866
U.S. Fixed Income	N/A	N/A	14,330
Real Estate	N/A	N/A	7,165
Short-term Securities	N/A	N/A	717
Investments at Amortized Cost using NAV:			
Private Equity and Startegic Lending	N/A	N/A	14,330
Total			<u>\$ 71,651</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 - TCRS STABILIZATION RESERVE TRUST (continued)**

Investment by Fair Value Level	Fair Value Measurements Using				Amortized Cost
	Fair Value 6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	NAV
U.S. Equity	\$ 22,212	\$ 22,212	\$ -	\$ -	\$ -
Developed Market International Equity	10,031	10,031	-	-	-
Emerging Market International Equity	2,866	2,866	-	-	-
U.S. Fixed Income	14,330	-	14,330	-	-
Real Estate	7,165	-	-	7,165	-
Short-term Securities	717	-	717	-	-
Private Equity and Strategic Lending	14,330	-	-	-	14,330
<b>Total</b>	<b>\$ 71,651</b>	<b>\$ 35,109</b>	<b>\$ 15,047</b>	<b>\$ 7,165</b>	<b>\$ 14,330</b>

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

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

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

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Tullahoma Board of Education places no limit on the amount the county may invest in one issuer.

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

For further information concerning Tullahoma Board of Education's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 - AMOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

**A. Accounts receivable**

A summary of accounts receivable as of June 30, 2020 is as follows:

	Governmental Activities	Component Units
Property tax	\$ 11,498,155	\$ -
Court receivables	1,079,792	-
Customer accounts receivables	92,839	1,352
	12,670,786	1,352
Allowance for doubtful accounts	(1,102,558)	-
	<u>\$ 11,568,228</u>	<u>\$ 1,352</u>

**B. Due from other governments**

A summary of due from other governments as of June 30, 2020 is as follows:

	Governmental Activities	Component Units
Due from Federal and State Funds	\$ 565,283	\$ 16,018
Due from Local Matching Funds	-	837
Other	2,702,242	-
	<u>\$ 3,267,525</u>	<u>\$ 16,855</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS**

**A. Transaction Summary**

Capital asset activity for the year ended June 30, 2020 is as follows:

**Primary Government:**

Governmental Activities:

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 4,090,345	\$ 78,500	\$ -	\$ 4,168,845
Construction in process	876,816	3,308,895	(786,332)	3,399,379
Total capital assets, not being depreciated	4,967,161	3,387,395	(786,332)	7,568,224
Capital assets, being depreciated:				
Buildings and improvements	60,683,934	848,136	-	61,532,070
Furniture, machinery, and equipment	12,431,129	400,839	(37,017)	12,794,951
Infrastructure	28,311,877	1,494,779	-	29,806,656
Total capital assets, being depreciated	101,426,940	2,743,754	(37,017)	104,133,677
Less accumulated depreciation:				
Buildings and improvements	(35,190,478)	(1,448,955)	-	(36,639,433)
Furniture, machinery, and equipment	(9,174,870)	(686,965)	36,026	(9,825,809)
Infrastructure	(16,240,018)	(1,086,114)	-	(17,326,132)
Total accumulated depreciation	(60,605,366)	(3,222,034)	36,026	(63,791,374)
Total capital assets being depreciated, net	40,821,574	(478,280)	(991)	40,342,303
Governmental activities capital assets, net	\$ 45,788,735	\$ 2,909,115	\$ (787,323)	\$ 47,910,527

Component Units:

Tullahoma Municipal Airport Authority (TAA):

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 1,738,799	\$ -	\$ -	\$ 1,738,799
Construction in process	760,764	207,447	(849,548)	118,663
Total capital assets, not being depreciated	2,499,563	207,447	(849,548)	1,857,462
Capital assets, being depreciated:				
Buildings and improvements	14,607,497	849,548	-	15,457,045
Furniture, machinery, and equipment	276,302	-	-	276,302
Total capital assets, being depreciated	14,883,799	849,548	-	15,733,347
Less accumulated depreciation:				
Buildings and improvements	(5,190,792)	(648,380)	-	(5,839,172)
Furniture, machinery, and equipment	(254,015)	(11,340)	-	(265,355)
Total accumulated depreciation	(5,444,807)	(659,720)	-	(6,104,527)
Total capital assets being depreciated, net	9,438,992	189,828	-	9,628,820
TAA capital assets, net	\$ 11,938,555	\$ 397,275	\$ (849,548)	\$ 11,486,282

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS (continued)**

**B. Depreciation**

**Primary Government:**

Governmental activities:	
General government	\$ 870,223
Public works	1,086,114
Education	1,241,062
Food service	<u>24,635</u>
Total depreciation expense, governmental activities	<u><u>\$ 3,222,034</u></u>

**Component Units:**

Tulahoma Municipal Airport Authority	<u><u>\$ 659,720</u></u>
--------------------------------------	--------------------------

Interest expense and amounts charged to construction in progress for the year ended June 30, 2020 were as follows:

	<u>Total Interest</u>	<u>Capitalized Interest</u>	<u>Expensed Interest</u>
<b><u>Component units:</u></b>			
Tulahoma Municipal Airport Authority	<u><u>\$ 8,925</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,925</u></u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 – LONG-TERM DEBT**

**A. Transaction Summary**

Long-term liability activity for the year ended June 30, 2020 is as follows:

**Primary Government:**

Governmental Activities:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<u>General Obligation Bonds:</u>					
General Obligation Refunding Bonds, Series 2006					
3.5% to 4% interest, final maturity April 1, 2026	\$ 7,170,000	\$ -	\$ (1,055,000)	\$ 6,115,000	\$ 1,040,000
TMBF City Note, Series 2008					
4.5% interest, final maturity December 25, 2033	793,000	-	(42,000)	751,000	44,000
TMBF School Note, Series 2008					
4.5% interest, final maturity May 25, 2033	8,954,000	-	(431,000)	8,523,000	450,000
General Obligation School Bonds, Series 2010					
3% to 4% interest, final maturity October 1, 2032	4,050,000	-	(100,000)	3,950,000	100,000
General Obligation School Refunding Bonds, Series 2012					
1% to 2% interest, final maturity April 1, 2021	1,575,000	-	(750,000)	825,000	825,000
General Obligation Refunding Bonds, Series 2016					
2.37% interest, final maturity April 1, 2026	2,280,000	-	(285,000)	1,995,000	300,000
	24,822,000	-	(2,663,000)	22,159,000	2,759,000
Bond premium	42,706	-	(29,046)	13,660	-
Total General Obligation Bonds	24,864,706	-	(2,692,046)	22,172,660	2,759,000
<u>Notes from Direct Borrowings and Direct Placements:</u>					
Capital Outlay Note, Series 2013					
2.93% interest, final maturity October 1, 2025	558,000	-	(73,000)	485,000	75,000
Local Government Loan Program, Series 2013					
3% interest, final maturity May 25, 2038	1,965,000	-	(91,000)	1,874,000	92,000
Capital Outlay Note, Series 2014					
2.26% interest, final maturity April 1, 2021	197,000	-	(97,000)	100,000	100,000
Local Government Loan Program, Series 2015					
3% interest, final maturity May 21, 2040	2,712,000	-	(115,000)	2,597,000	116,000
Local Government Loan Program, Series 2017*					
2.45% interest, final maturity September 1, 2039	2,070,665	2,586,602	-	4,657,267	-
Total notes from direct borrowings and direct placements	7,502,665	2,586,602	(376,000)	9,713,267	383,000

\*This is a construction loan and terms of the loan will be finalized when construction is complete.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 – LONG-TERM DEBT (continued)**

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<u>Other Long-term Liabilities:</u>					
Net OPEB liability - City employees	\$ 2,592,548 *	\$ 154,586	\$ (86,788)	\$ 2,660,346	\$ -
Net OPEB liability - School employees	4,914,594	412,126	(1,148,653)	4,178,067	-
Net pension liability (TCRS) - City employees	108,567	245,682	(345,624)	8,625	-
Net pension liability (asset) (TCRS) - School employees legacy	(1,362,090)	558,924	(3,326,640)	(4,129,806)	-
Net pension liability (asset) (TCRS) - School employees retirement	(123,911)	49,375	(81,273)	(155,809)	-
Net pension liability (asset) (TCRS) - School employees retirement with Cost Control	(16,394)	5,473	(1,455)	(12,376)	-
Net pension liability (TCSDBP) - School employees	3,546,601	2,679,333	(2,256,961)	3,968,973	-
Compensated absences	1,297,639	143,965	(29,681)	1,411,923	75,000
Total Other Long-term Liabilities, net	10,957,554	4,249,464	(7,277,075)	7,929,943	75,000
Total net pension asset	1,502,395	(613,772)	3,409,368	4,297,991	-
Total Other Long-term Liabilities	12,459,949	3,635,692	(3,867,707)	12,227,934	75,000
Total Governmental Activities Long-term Liabilities, net	\$ 44,827,320	\$ 6,222,294	\$ (6,935,753)	\$ 44,113,861	\$ 3,217,000

The net pension liability is generally liquidated from the fund incurring the related employee's compensation. See Note 8 for further disclosures.

**Component Units:**

Tullahoma Municipal Airport Authority:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Tullahoma Municipal Airport Authority:					
<u>Notes from direct borrowings and direct placements:</u>					
UDAG Note Payable (11-05-05)					
0.75% interest, final maturity October 1, 2019	\$ 3,993	\$ -	\$ (3,993)	\$ -	\$ -
UDAG Note Payable (10-20-16)					
1% interest, final maturity October 20, 2020	19,423	-	(14,630)	4,793	4,793
UDAG Note Payable (03-06-15)					
1% interest, final maturity March 6, 2020	1,744	-	(1,744)	-	-
UDAG Note Payable (11-14-18)					
1% interest, final maturity November 14, 2030	184,031	-	(15,554)	168,477	15,301
Capital Outlay Note, Series 2017 (10-23-17)					
3.9% interest, final maturity October 1, 2029	186,600	-	(13,900)	172,700	14,500
Total notes from direct borrowings and direct placements	395,791	-	(49,821)	345,970	34,594
<u>Other Long-term Liabilities:</u>					
Net pension liability	2,813	-	(2,594)	219	-
Net OPEB liability	56,772 *	3,274	(1,789)	58,257	-
Compensated absences	39,987	15,792	(2,876)	52,903	9,509
Total Other Long-term Liabilities	99,572	19,066	(7,259)	111,379	9,509
Total Tullahoma Municipal Airport Authority	495,363	19,066	(57,080)	457,349	44,103

\*OPEB liability beginning balance adjusted. See Note 2D.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 - LONG-TERM DEBT (continued)**

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Tullahoma Area Economic Development Corporation:					
<u>Other Long-term Liabilities:</u>					
Net OPEB liability	\$ 32,046 *	\$ 1,733	\$ (895)	\$ 32,884	\$ -
Compensated absences	-	22,075	(153)	21,922	5,493
Total Tullahoma Area Economic Development Corporation	32,046	23,808	(1,048)	54,806	5,493
Total Component Units Long-term Liabilities	\$ 527,409	\$ 42,874	\$ (58,128)	\$ 512,155	\$ 49,596

\*OPEB liability beginning balance adjusted. See Note 2D.

**B. Annual Debt Service Requirements**

The annual requirements, by type of issue, to amortize all general obligation bonds and notes payable outstanding as of June 30, 2020 are as follows:

**Primary Government:**

Governmental Activities:

	General Obligation Bonds		Notes from direct borrowings and direct placements*		Total Governmental Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2021	\$ 2,759,000	\$ 857,243	\$ 383,000	\$ 149,502	\$ 3,142,000	\$ 1,006,745
2022	1,961,000	775,365	288,000	138,775	2,249,000	914,140
2023	2,040,000	699,774	294,000	130,145	2,334,000	829,919
2024	2,069,000	622,271	298,000	121,352	2,367,000	743,623
2025	2,144,000	542,858	303,000	112,440	2,447,000	655,298
2026-2030	6,532,000	1,701,458	1,226,000	444,255	7,758,000	2,145,713
2031-2035	4,654,000	452,788	1,212,000	267,780	5,866,000	720,568
2036-2040	-	-	1,052,000	84,810	1,052,000	84,810
	22,159,000	5,651,757	5,056,000	1,449,059	27,215,000	7,100,816
Bond premium	13,660	-	-	-	13,660	-
	<u>\$ 22,172,660</u>	<u>\$ 5,651,757</u>	<u>\$ 5,056,000</u>	<u>\$ 1,449,059</u>	<u>\$ 27,228,660</u>	<u>\$ 7,100,816</u>

\*Since the terms of Local Government Loan Program, Series 2017 have not been finalized, it is not included in the schedule above. The amount excluded is \$4,657,267.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 - LONG-TERM DEBT (continued)**

**Component Units:**

	Notes from direct borrowings and direct placements	
	Principal	Interest
June 30,		
2021	\$ 34,594	\$ 8,489
2022	30,493	7,712
2023	31,288	6,920
2024	32,086	6,103
2025	32,885	5,260
2026-2030	178,109	12,636
2031	6,515	23
	<u>\$ 345,970</u>	<u>\$ 47,143</u>

**C. Other Debt Information**

**Primary Government:**

Governmental Activities:

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds and notes payable are direct obligations of the City for which the full faith and credit are pledged.

Compensated absences and other net postemployment benefit obligations are liquidated in the various funds in which the corresponding salary expenditures are paid, primarily the General Fund and General Purpose School Fund. Net pension obligation will primarily be liquidated by the funds incurring the related employees' compensation, primarily the General Purpose School Fund.

**Component Units:**

Tullahoma Airport Authority:

As of June 30, 2020, The Authority had two outstanding notes through the City's Urban Development Action Grant (UDAG) revolving loan program. Notes are variable at 4% below prime with the rate assessed annually. The 10-20-16 and 11-14-18 notes had interest rates of 1%. Loans were obtained for grant matches for airport capital projects and hangar construction.

In October 2017, the Authority entered into an agreement with the Tennessee Municipal Bond Fund to secure a \$200,000 capital outlay note for the purpose of financing a portion of the cost for new hangar construction. The interest rate is 3.9% over 12 years and is supported by hangar lease payments. The note is also guaranteed by the full faith and credit of the City of Tullahoma.

**D. Issuance of Notes**

**Primary Government:**

Governmental Activities:

In October 2017, the City entered into an agreement with the Tennessee Municipal Bond Fund to secure a loan for the purpose of financing certain "public works projects" as defined in Title 9, Chapter 21, Tennessee Code Annotated. The total loan amount is \$7,500,000 with an interest rate of 2.45% over 22 years. Construction draws for the current year ended June 30, 2020 totaled \$2,586,602.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS**

The primary government provides retirement benefits for the City employees through defined contribution plan and agent multiple-employer plan: Public Employee Retirement Plan of the TCRS; for Tullahoma School Board employees through one single-employer defined benefit pension plan: Tullahoma City Schools Defined Benefit Plan, two cost sharing multiple-employer plans: Teacher Legacy Pension Plan of TCRS and Teacher Retirement Plan of TCRS, and one agent multiple-employer plan: Employee Retirement Plan Retirement Hybrid Plan with Cost Controls of TCRS.

The component units provide retirement benefits as well. The Airport Authority participates in the City retirement plan.

The information below provides an aggregate view of these plans for both the primary government and its component units:

	Primary Government					
	City of Tullahoma Pension Plan	Tullahoma City Schools Defined Benefit Plan	Teacher Legacy Pension Plan of TCRS	Teacher Retirement Plan of TCRS	Retirement Hybrid Plan with Cost Controls of TCRS	Totals
Net Pension Liability (Asset)	\$ 8,625	\$ 3,968,973	\$ (4,129,806)	\$ (155,809)	\$ (12,376)	\$ (320,393)
Deferred Outflows of Resources	531,638	2,618,244	2,193,300	96,582	68,315	5,508,079
Deferred Inflows of Resources	45,067	639,120	3,738,764	34,970	236	4,458,157
Pension Expense (Negative Pension Expense)	243,951	1,101,562	558,924	49,375	(1,365)	1,952,447
	Component Units					
	Airport Authority					
Net Pension Liability	\$ 219					
Deferred Outflows of Resources	13,496					
Deferred Inflows of Resources	1,144					
Pension Expense	6,193					

The following is a summary of each of these plans:

**Primary Government:**

Governmental Activities:

**A. City Plan**

(1) Defined Contribution Plan - City

The City offers all employees of the governmental activities (exclusive of employees of the Tullahoma City Schools) a defined contribution plan created in accordance with Internal Revenue Code Section 457B. Participation in the plan is optional for full-time employees with one year of service. The contribution rate for the City shall be set by the Board of Mayor and Aldermen during the budget process. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8- RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(1) Defined Contribution Plan – City (continued)

The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider, ICMA-RC, administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City.

The City budgeted to contribute 5 percent of full-time employees' base salary for those employees who opted not to join the TCRS plan. For the year ended June 30, 2020, the City contributions to the plan totaled \$100,335 and employee contributions were \$181,902.

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)

**General Information about the Pension Plan**

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

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

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)  
(continued)

*Employees covered by benefit terms.* At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	35
Active employees	105
Total employees	<u>141</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, the employer contributions for City were \$313,754 based on a rate of 6.65 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City'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)**

City's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of the June 30, 2019 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, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a bestestimate 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 bestestimates 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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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%
		100.00%

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

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)  
(continued)

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balance at June 30, 2018</b>	\$ 1,428,225	\$ 1,316,845	\$ 111,380
<b>Changes for the year:</b>			
Service cost	420,086	-	420,086
Interest	132,055	-	132,055
Differences between expected and actual experience	(34,160)	-	(34,160)
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	293,929	(293,929)
Contributions-employees	-	220,850	(220,850)
Net investment income	-	114,877	(114,877)
Benefit payments, including refunds of employee contributions	(53,721)	(53,721)	-
Administrative expense	-	(9,139)	9,139
Other changes	-	-	-
<b>Net changes</b>	<u>464,260</u>	<u>566,796</u>	<u>(102,536)</u>
<b>Balance at June 30, 2019</b>	<u>\$ 1,892,485</u>	<u>\$ 1,883,641</u>	<u>\$ 8,844</u>

The City reports pension liability of \$8,625 and \$219 for the City and Airport Authority, respectively.

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's net pension liability (asset)	\$ 409,221	\$ 8,844	\$ (306,524)

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)  
(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, 2020, the City recognized pension expense of \$243,951 and \$6,193 for the City and Airport Authority, respectively.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources

	Primary Government	Component Unit Airport Authority	Total
Differences between expected and actual experience	\$ 210,774	\$ 5,781	\$ 216,555
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in assumptions	7,110	181	7,291
Contributions subsequent to the measurement date of June 30, 2019 but before the end of reporting period of June 30, 2020	313,754	7,534	321,288
Total	<u>\$ 531,638</u>	<u>\$ 13,496</u>	<u>\$ 545,134</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019 but before the end of reporting period of June 30, 2020,” will be recognized as a reduction (increase) to net pension liability (asset) in the subsequent fiscal period rather than in the current fiscal period.

Deferred inflows of resources

	Primary Government	Component Unit Airport Authority	Total
Differences between expected and actual experience	\$ 29,983	\$ 761	\$ 30,744
Net difference between projected and actual earnings on pension plan investments	15,084	383	15,467
Changes in assumptions	-	-	-
Total	<u>\$ 45,067</u>	<u>\$ 1,144</u>	<u>\$ 46,211</u>



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**A. City Plan (continued)**

(2) Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)  
(continued)

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

	Primary	Component Unit Airport	Total
	Government	Authority	
Year Ended June 30:			
2021	\$ 20,400	\$ 949	\$ 21,349
2022	18,934	481	19,415
2023	23,128	587	23,715
2024	25,203	640	25,843
2025	25,793	655	26,448
Thereafter	59,358	1,507	60,865

**Payable to the Pension Plan**

At June 30, 2020, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

**B. Tullahoma Board of Education**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description:

All of the Tullahoma City Schools' (the City Schools) employees, except teachers, participate in the Tullahoma City Schools Defined Benefit Plan (TCSDBP).

Plan assets are invested in annuity contracts with the Principal Financial Group. Separate financial statements of the single-employee pension trust have not been presented as part of these financial statements. That report may be obtained by writing to the Principal Financial Group, 711 West High, Des Moines, IA 50392.

There are no nonemployer contributing entities, as defined by GASB Statement No. 68, for this plan.

There are no special funding situations, as defined by GASB Statement No. 68, for this plan.

Plan Administration

The plan is administrated by the Plan Trustees named by the Tullahoma Board of Education. The Trustees consist of the Chairman of the Board, the Superintendent, and the Director of Personnel.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Plan membership

At the measurement date of December 31, 2019, the following employees were covered by the benefit terms:

Measurement Period Ending	December 31, 2019
Fiscal Year Ending	<u>June 30, 2020</u>
Active plan members	68
Inactive plan members entitled to but not yet receiving benefits	33
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	<u>22</u>
Total	<u><u>123</u></u>

Benefits provided

Participants must complete 1,000 hours of service and be at least age 18. Entry into the plan is frozen effective January 1, 2018. On and after that date, no employee or former employee shall become an active participant, and no inactive participant or former participant shall again become an active participant.

Normal retirement occurs upon reaching age 65 and completing one year of service. Monthly benefits are equal to 2.3% of average compensation times accrual service credited before January 1, 2016; and 1.5% of average compensation times accrual services credited on and after January 1, 2016. An active participant's monthly accrued benefit shall not be less than \$25.

Effective January 1, 2018, an employee may notify the employer of his intent to cease benefit accruals in the Plan in lieu of participation in TCRS. Upon notification, his accrued benefit is frozen and no additional benefits shall accrue. Any election to cease benefit accruals shall be irrevocable.

Early retirement is available upon reaching age 55 and completing 5 years of vesting service (measured by plan participation). Monthly benefits are calculated using the accrued benefit on retirement date and an actuarially determined reduction factor.

Death benefits are available to participants that are fully or partially vested in an accrued benefit. For a participant age 55 or older, the single-sum death benefit will be equal to the present value of his vested accrued benefit but not less than his required contribution account. If a participant dies prior to age 55, the single-sum death benefit will be equal to his required contribution account.

The amount of disability benefits is defined as a monthly pension payable at normal retirement equal to the participant's accrued monthly pension. A participant must have completed 10 years of service at the date of disability in order to be eligible for disability benefits.

Any employee who terminates after completion of at least 5 years of service and before eligibility for normal retirement or early retirement shall be entitled to the normal retirement benefit, multiplied by the vesting percentage, with income deferred until normal retirement age. A year of vesting shall be credited for each year during which the employee is credited with 1,000 hours of service.

There have been no changes in plan provisions during the measurement period.

There have been no changes in plan provisions between the December 31, 2019 measurement date and the fiscal year end June 30, 2020.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Contributions

Contributions for employees are established in the statutes governing the Plan and may only be changed by the Plan Trustees. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. Employees are currently required to contribute 3.00% of salary. The actuarially determined employer contribution for the measurement period ending December 31, 2019 is \$609,390 and the expected employee contributions are \$70,732. The actuarially determined employer contribution for the upcoming measurement period ending December 31, 2020 is \$732,020 and the expected employee contributions are \$68,931. The employer contribution for the fiscal year ending June 30, 2020 is \$820,697 and the expected employee contributions are \$70,454.

**Net Pension Liability (Assets)**

Net pension liability (assets) was measured as of December 31, 2019, and the total pension liability used to calculate net pension liability (assets) was determined by an actuarial valuation as of that date.

Cost Method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earning between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected services.

Measurement Date

A measurement period of January 1, 2019 to December 31, 2019 has been used for the fiscal year ending June 30, 2020 for GASB 68 reporting. The net pension liability reported for fiscal year end of June 30, 2020 was measured as of December 31, 2019, using the total pension liability that was determined by an actuarial valuation as of December 31, 2019.

Actuarial assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% increase per year
Wage Base Increases	3.25% per year Real wage growth combined with inflation assumption indicates an economic assumption of Real wage growth combined with inflation assumption indicates an economic assumption of social security national wage growth in pension plan valuations. Based on historical real growth in National Average Wages (from 1951) and Social Security estimate of around 1%, our best estimate places this assumption in the range of 0.75% to 1.25% above inflation.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

Long-Term Rate of Return on Plan Assets	5.00%
	The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of board asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption.
Mortality	<p>Based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2019 mortality improvement scale.</p> <p>Base rates</p> <p>Before benefit payment period</p> <p>PubG-2010 Employee, male and female</p> <p>During benefit payment period</p> <ul style="list-style-type: none"> <li>• Retirees- PubG-2010 Healthy Retiree base table, male and female</li> <li>• Contingent survivor – same as retirees above (Pub 2010 “Approach 1”, see rationale below).</li> <li>• Disabled Retiree – same as Retirees above</li> </ul> <p>The Society of Actuaries is an actuarial organization that periodically reviews mortality data and publishes mortality tables and improvement scales. PubGTS-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019. Pub-2010 section 12.4.2 provided three approaches for designated beneficiaries in the calculation of joint-and-survivor annuities. We believe “Approach 1” is reasonable for this plan and has been selected due to data limitations in identifying contingent survivors. In addition, we believe beneficiary mortality isn’t materially different while both participants are alive.</p> <p>Mortality improvement (MI)</p> <p>MP-2019 is the most recent improvement scale published by the SOA in October 2</p>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

The expected long-term rate of return assumption as of December 31, 2019 is 5.50%. The actual weighted average asset allocation for the four quarterly dates from March 31, 2019 to December 31, 2019 is used as an approximation of the plan's target asset allocation over the upcoming period, and is shown below:

<u>Asset Class</u>	<u>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	7.70%	6.20%	25.33%
US Equity - Mid Cap	8.00%	6.20%	2.95%
US Equity - Small Cap	8.55%	6.20%	1.45%
Non-US Equity	8.00%	6.20%	15.16%
REITs	7.30%	5.65%	0.41%
Real Estate (direct property)	5.35%	5.00%	5.98%
TIPS	1.70%	1.50%	0.61%
Core Bond	2.60%	2.45%	45.59%
High Yield	5.45%	5.00%	2.52%
			<u>100.00%</u>
Exp LTROA (arithmetic mean)			5.21%
Portfolio Standard Deviation			8.87%
40th percentile			4.13%
45th percentile			4.48%
Expected Compound Return			4.83%
55th percentile			5.18%
60th percentile			5.54%
Equity/Fixed Income/Other			45% / 49% / 6%

**Basis used to determine expected long-term return on plan assets**

The Capital Market Assumptions used in our model were developed focusing on forward-looking market indicators and valuation models, as well as utilizing the analysis of historical data and trends, the outlook and forecasts from credible economic studies, and investment expert opinions.

The long-term rate of return assumption as of the beginning of period was 6.00%.

Discount rate

The discount rate used to determine the end of period Total Pension Liability is 5.50%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2019 to 2075. Benefit payments after 2075 are projected to be \$0.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

The long-term rate of return of 5.50% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.50% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2019 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

The discount rate used to determine the beginning of period Total pension liability is 6.00%.

**Changes in the Net Pension Liability (Asset)**

A measurement date of December 31, 2019 has been used for the fiscal year ending June 30, 2020.

	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
<b>Balance, beginning of period</b>	\$ 9,853,112	\$ 6,306,511	\$ 3,546,601
<b>Changes for the year, increase/(decrease):</b>			
Service cost	282,487	-	282,487
Interest	597,748	-	597,748
Differences between expected and actual experience	(370,759)	-	-
Changes in assumptions	1,758,158	-	1,758,158
Changes in benefit terms	-	-	-
Contributions-employees	-	73,052	(73,052)
Contributions-employer	-	723,294	(723,294)
Contributions-other	-	-	-
Net investment income	-	1,089,856	(1,089,856)
Benefit payments	(429,318)	(429,318)	-
Administrative expense	-	(40,940)	40,940
Other expenses	-	-	-
<b>Net changes</b>	<u>1,838,316</u>	<u>1,415,944</u>	<u>422,372</u>
<b>Balance, end of period</b>	<u>\$ 11,691,428</u>	<u>\$ 7,722,455</u>	<u>\$ 3,968,973</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

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

The following presents the net pension liability (asset) of the System calculated using the discount rate of 5.50 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 (4.50 percent) or 1-percentage-point higher (6.50 percent) than the current rate:

	<b>1% Decrease (4.50%)</b>	<b>Current Discount Rate (5.50%)</b>	<b>1% Increase (6.50%)</b>
Net pension liability (asset)	\$ 4,603,240	\$ 3,968,973	\$ 3,379,402

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

Pension expense

The pension expense for the fiscal year ended June 30, 2020 is \$1,101,562.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2020, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 406,090	\$ 315,459
Effects of changes in assumptions	1,676,949	18,670
Net difference between projected and actual earnings on pension plan investments	-	304,991
Contributions subsequent to the measurement date as of December 31, 2019 but before the end of reporting period of June 30, 2020	535,205	-
Total	<u>\$ 2,618,244</u>	<u>\$ 639,120</u>

The amount shown above for “Contributions subsequent to the measurement date as of December 31, 2019 but before the end of reporting period of June 30, 2020,” will be recognized as a reduction to net pension liability (asset) in the subsequent fiscal period rather than in the current fiscal period.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(1) Tullahoma City Schools Defined Benefit Plan (TCSDBP) Plan Description (continued)

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:		
2021	\$	572,999
2022		455,886
2023		469,730
2024		(54,696)
2025		-
Thereafter		-

**Payable to the Pension Plan**

At June 30, 2020, Tullahoma City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

(2) Teacher Legacy Pension Plan of TCRS

**General Information about the Pension Plan**

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

Teachers employed by the Tullahoma City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees.

Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 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 years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

**(2) Teacher Legacy Pension Plan of TCRS (continued)**

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by The System for the year ended June 30, 2020 to the Teacher Legacy Pension Plan were \$1,344,211 which is 10.63 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities (assets).* At June 30, 2020, Tullahoma City Schools reported a liability (asset) of (\$4,129,806) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Tullahoma City Schools' proportion of the net pension liability was based on the Tullahoma City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019 Tullahoma City Schools' proportion was 0.401662 percent. The proportion measured as of June 30, 2018 was 0.387077 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2020, Tullahoma City Schools recognized pension expense (negative pension expense) of \$558,924.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(2) Teacher Legacy Pension Plan of TCRS (continued)

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 201,070	\$ 2,522,567
Changes in assumptions	556,513	-
Net difference between projected and actual earnings on pension plan investments	-	1,179,965
Changes in proportion of Net Pension Liability (Asset)	91,506	36,232
Contributions subsequent to the measurement date as of June 30, 2019 but before the end of reporting period of June 30, 2020	1,344,211	-
Total	<u>\$ 2,193,300</u>	<u>\$ 3,738,764</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019 but before the end of reporting period of June 30, 2020,” will be recognized as a reduction (increase) to the net pension liability (asset) in the subsequent fiscal period rather than in the current fiscal period.

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

Year Ended June 30:	
2021	\$ (834,861)
2022	(1,137,928)
2023	(522,837)
2024	(394,049)
2024	-
Thereafter	-

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(2) Teacher Legacy Pension Plan of TCRS (continued)

*Actuarial assumptions.* The total pension liability in the June 30, 2019 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 are customized based on actuarial experience study and included an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019 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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(2) Teacher Legacy Pension Plan of TCRS (continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$ 8,444,260	\$ (4,129,806)	\$ (14,132,126)

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

**Payable to the Pension Plan**

At June 30, 2020, Tullahoma City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

(3) Teacher Retirement Plan of TCRS

**General Information about the Pension Plan**

*Plan description.* The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

**(3) Teacher Retirement Plan of TCRS (continued)**

Teachers employed by Tullahoma City Schools with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the System for the year ended June 30, 2020 to the Teacher Retirement Plan were \$78,818 which is 2.03 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(3) Teacher Retirement Plan of TCRS (continued)

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

*Pension liabilities (assets).* At June 30, 2020, Tullahoma City Schools reported a liability (asset) of (\$155,809) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Tullahoma City Schools' proportion of the net pension liability (asset) was based on Tullahoma City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, the Tullahoma City Schools' proportion was 0.276019 percent. The proportion measured as of June 30, 2018 was 0.273215 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2020, Tullahoma City Schools recognized pension expense (negative pension expense) of \$49,375.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,460	\$ 27,200
Net difference between projected and actual earnings on pension plan investments	-	6,587
Changes in assumptions	5,414	-
Changes in proportion of Net Pension Liability (Asset)	5,890	1,183
Contributions subsequent to the measurement date as of June 30, 2019 but before the end of reporting period of June 30, 2020	78,818	-
Total	<u>\$ 96,582</u>	<u>\$ 34,970</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2019 but before the end of reporting period of June 30, 2020," will be recognized as a reduction (increase) to the net pension liability (asset) in the subsequent fiscal period rather than in the current fiscal period.

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

Year Ended June 30:	
2021	\$ (2,826)
2022	(3,834)
2023	(1,986)
2024	(1,044)
2025	(776)
Thereafter	(6,740)

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(3) Teacher Retirement Plan of TCRS (continued)

*Actuarial assumptions.* The total pension liability in the June 30, 2019 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, 2019 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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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%
		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.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

(3) Teacher Retirement Plan of TCRS (continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Tullahoma City Schools' proportionate share of the net pension liability (asset)	\$ 49,366	\$ (155,809)	\$ (307,472)

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

**Payable to the Pension Plan**

At June 30, 2020, Tullahoma City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

(4) Retirement Hybrid Plan with Cost Controls of TCRS

**General Information about the Pension Plan**

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



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

*(4) Retirement Hybrid Plan with Cost Controls of TCRS (continued)*

*Benefits provided.* Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. 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. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Employees covered by benefit terms.* At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	9
Active employees	61
Total employees	<u>70</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 5 percent of salary. Tullahoma City Schools makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. By law, employer contributions are required to be paid. The TCRS may intercept Tullahoma City Schools Retirement Hybrid Plan with Cost Controls' state shared taxes if required employer contributions are not remitted. Employer contributions by the System for the year ended June 30, 2020 to the Public Employee Retirement Plan were \$39,521 based on a rate of 1.94 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability

**Net Pension Liability (Asset)**

*Pension liabilities (assets).* Tullahoma City Schools Retirement Hybrid Plan with Cost Controls' net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

*(4) Retirement Hybrid Plan with Cost Controls of TCRS (continued)*

*Actuarial assumptions.* The total pension liability as of the June 30, 2019 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, 2019 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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

*(4) Retirement Hybrid Plan with Cost Controls of TCRS (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 Tullahoma City Schools Retirement Hybrid Plan with Cost Controls 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.

	<b>Increase (Decrease)</b>		<b>Net Pension</b>
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balance at June 30, 2018</b>	\$ 19,794	\$ 36,188	\$ (16,394)
<b>Changes for the year, increase/(decrease):</b>			
Service cost	61,102	-	61,102
Interest	5,864	-	5,864
Changes in benefit terms	-	-	-
Differences between expected and actual experience	31,673	-	31,673
Changes in assumptions	-	-	-
Contributions-employer	-	23,321	(23,321)
Contributions-employees	-	70,243	(70,243)
Net investment income	-	5,993	(5,993)
Benefit payments, including refunds of employee contributions	(33)	(33)	-
Administrative expense	-	(4,936)	4,936
Other charges	-	-	-
<b>Net changes</b>	<b>98,606</b>	<b>94,588</b>	<b>4,018</b>
<b>Balance at June 30, 2019</b>	<b>\$ 118,400</b>	<b>\$ 130,776</b>	<b>\$ (12,376)</b>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Tullahoma City Schools Retirement Hybrid Plan with Cost Controls 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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Tullahoma City Schools' net pension liability (asset)	\$ 18,671	\$ (12,376)	\$ (35,977)

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

*(4) Retirement Hybrid Plan with Cost Controls of TCRS (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, 2020, Tullahoma City Schools recognized pension expense (negative pension expense) of (\$1,365).

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,794	\$ -
Net difference between projected and actual earnings on pension plan investments	-	236
Changes in assumptions	-	-
Contributions subsequent to the measurement date as of June 30, 2019 but before the end of reporting period of June 30, 2020	39,521	-
Total	<u>\$ 68,315</u>	<u>\$ 236</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019 but before the end of reporting period of June 30, 2020,” will be recognized as a reduction (increase) to the net pension liability (asset) in the subsequent fiscal period rather than in the current fiscal 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:	
2021	\$ 2,811
2022	2,811
2023	2,811
2024	2,847
2025	2,879
Thereafter	14,399

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, 2020, Tullahoma City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 - RETIREMENT PLANS (continued)**

**B. Tullahoma Board of Education (continued)**

**(5) State of Tennessee Defined Contribution Plan**

All teachers hired on or after July 1, 2014 are required to participate in a separately managed defined contribution plan referred to as the State of Tennessee 401(k) Deferred Compensation Program in addition to the multiple-employer defined benefit pension plan administered by TCRS. This plan is administered by Great West Life & Annuity Insurance Company. Investment decisions on contributions to the plan are controlled by the teacher participant. Teachers are immediately 100% vested in the plan. An employer contribution equal to 5% of the teacher's compensation is made by Tullahoma City Schools. Teachers are automatically enrolled in the plan when hired with an employee contribution rate of 2%. Teachers have the ability to opt out of employee contribution portion within 30 days of hire date. Teachers may make voluntary contributions to the plan up to the Internal Revenue Service code annual maximum. For the year ended June 30, 2020, Tullahoma City Schools contributions to the plan totaled \$296,046 and employee contributions were \$182,362.

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The primary government provides benefits two single-employer other postemployment benefit plans (OPEB), one for city employees and two for Tullahoma School Board employees.

The component units provide benefits as well. The Airport Authority and Tullahoma Area Economic Development Corporation participates in the City of Tullahoma OPEB plan.

The information below provides an aggregate view of these plans for both the primary government and its component units:

	Primary Government			
	City of Tullahoma OPEB	Tullahoma City Schools TGOP	Tullahoma City Schools	Totals
			TNP	
Total OPEB Liability	\$ 2,660,346	\$ 4,178,067	\$ -	\$ 6,838,413
Deferred Outflows of Resources	-	1,345,958	-	1,345,958
Deferred Inflows of Resources	-	721,936	-	721,936
OPEB Expense	154,307	(155,094)	37,937	37,150

	Component Units		
	Municipal Airport Authority	Area Economic Development Corporation	Total
Total OPEB Liability	\$ 58,257	\$ 32,884	\$ 91,141
Deferred Outflows of Resources	-	-	-
Deferred Inflows of Resources	-	-	-
OPEB Expense	3,379	1,907	5,286

The following is a summary of each of these plans.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**A. City Plan**

Plan Description

The City's current single-employer defined benefit post employment healthcare plan only provides health insurance benefits, under a fully insured health plan, to eligible retired City employees and allows the retired employees to purchase coverage for their dependents. The City currently funds the benefits on a pay-as-you-go basis. The benefits of post employment obligations will be reviewed by the City in the future allowing for any improvements or changes to the present plan. The report may be obtained by contacting the finance director for the City.

Benefits provided

The benefits provided are identical to the medical and prescription drugs benefits provided to active employees under the City Medical plan. The benefits of the City OPEB are funded on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement benefits.

Eligible dependents of retirees are charged 100% of the pooled cost of dependent medical insurance prior to age 65. Retirees can elect to remain on the group plan in retirement at no cost to them.

Employees covered by benefit terms

At July 1, 2019, the following employees of the City were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>148</u>
	151

Actuarial assumptions

The net OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Mortality rate	SOA RP-2014 Total Dataset Mortality Adjusted to 2006 with Improvement Scale MP-2018
Salary increases	3.00% per annum
Healthcare cost trend rates	
Medical:	7.5% graded uniformly to 6.25% over 3 years and following the Getzen mode; thereafter to an ultimate rate of 3.94% in the years 2075
Administrative expenses	Administrative expenses for the medical plan were assumed to be included in the per capita claims cost
Funding policy	The benefits of the City OPEB are funded on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement benefits.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**A. City Plan (continued)**

Discount rate

The discount rate used to measure the net OPEB liability was 2.79 percent. This rate based on the S&P 500 High Grade 20 Year Rate Index as of June 28, 2019.

**Changes in the Net Total OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) – (b)
<b>Beginning balance</b>	\$ 2,681,366	\$ -	\$ 2,681,366
<b>Changes for the year, increase/(decrease):</b>			
Service cost	84,910	-	84,910
Interest	74,683	-	74,683
Changes in benefit terms	-	-	-
Experience losses (gains)	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	89,472	(89,472)
Contributions-members	-	-	-
Net investment income	-	-	-
Refunds of contributions	-	-	-
Benefits paid	(89,472)	(89,472)	-
Administrative expense	-	-	-
Other changes	-	-	-
<b>Net changes</b>	70,121	-	70,121
<b>Ending balance</b>	\$ 2,751,487	\$ -	\$ 2,751,487

The City reports OPEB liability of \$2,660,346 and \$91,141 for the City and component units, respectively.

Sensitivity of net OPEB liability to changes in the discount rate

The following presents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.79%)	Discount Rate (2.79%)	1% Increase (3.79%)
Net OPEB liability	\$ 2,941,178	\$ 2,751,487	\$ 2,576,864

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. City Plan (continued)**

Sensitivity of net OPEB liability to changes in medical trend rate

The following presents the net OPEB liability calculated using the stated salary trend assumption, as well as what the net OPEB liability would be if it were calculated using a salary trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

	1% Decrease (6.50% decreasing to 5.75%)	Healthcare Cost Trend Rates (7.50% decreasing to 6.75%)	1% Increase (8.50% decreasing to 7.75%)
Net OPEB liability	\$ 2,540,021	\$ 2,751,487	\$ 2,990,495

OPEB expense

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$154,307 and \$5,286 for the City and component units, respectively.

Deferred outflows of resources and deferred inflows of resources

For the fiscal year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

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

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

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

Year Ended June 30:	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	-

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



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(1) Closed Teacher Group OPEB Plan

***General information about the OPEB plan***

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

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

***Employees covered by benefit terms*** - At July 1, 2019, the following employees of Tullahoma City Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>343</u>
	366

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System paid \$216,588 to the TGOP for OPEB benefits as they came due.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(1) Closed Teacher Group OPEB Plan (continued)

***Total OPEB Liability***

***Actuarial assumptions*** - The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20 percent
Salary Increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

***Discount rate*** - discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(1) Closed Teacher Group OPEB Plan (continued)

***Changes in Collective Total OPEB Liability***

	Total OPEB Liability
Total OPEB liability - beginning balance	\$ 6,218,525
Changes for the year:	
Service cost	399,501
Interest	233,139
Changes of benefit terms	(812,720)
Differences between expected and actual experience	466,009
Changes in assumptions	(430,400)
Benefit payments	(358,621)
Net changes	(503,092)
Total OPEB liability - ending balance	<u>\$ 5,715,433</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,537,366
Employer's proportionate share of the collective total OPEB liability	\$ 4,178,067
Employer's proportion of the collective total OPEB liability	73.10%

Tullahoma City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Tullahoma City Schools' proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed (5.93)% from the prior measurement date.. Tullahoma City Schools recognized \$(71,466) in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Tullahoma City Schools retirees.

***Changes in assumptions*** - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

***Changes in benefit terms*** - The benefit changes reflect the change in the subsidy level of the Employer's direct premium subsidy. Change in benefits results of \$(812,720).

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(1) Closed Teacher Group OPEB Plan (continued)

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

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 4,479,505	\$ 4,178,067	\$ 3,892,857

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

	1% Decrease (5.03%/4.20% decreasing to 3.50%)	Healthcare Cost Trend Rates (6.03%/5.20% decreasing to 4.5%)	1% Increase (7.03%/6.20% decreasing to 5.50%)
Total OPEB liability	\$ 3,751,552	\$ 4,178,067	\$ 4,678,649

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

***OPEB expense*** - For the fiscal year ended June 30, 2020, Tullahoma City Schools recognized OPEB expense of (\$155,094).

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2020, Tullahoma City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 503,993	\$ -
Changes in assumptions	86,187	421,076
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	539,190	300,860
Employer payments subsequent to the measurement date	216,588	-
Total	<u>\$ 1,345,958</u>	<u>\$ 721,936</u>

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(1) Closed Teacher Group OPEB Plan (continued)

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

Year Ended June 30:		
2021	\$	48,014
2022		48,014
2023		48,014
2024		48,014
2025		48,014
Thereafter		167,364

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

(2) Closed Tennessee Plan

***General information about the OPEB plan***

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

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

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(2) Closed Tennessee Plan (continued)

**Employees covered by benefit terms** - At July 1, 2019, the following employees of Tullahoma City Schools was covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	118
Inactive employees entitled to but not yet receiving benefit payments	34
Active employees	<u>251</u>
	403

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

**Total OPEB Liability**

**Actuarial assumptions** - The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20 percent
Salary Increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. Tullahoma Board of Education**

(2) Closed Tennessee Plan (continued)

***Changes in Collective Total OPEB Liability***

	Total OPEB Liability
Total OPEB liability - beginning balance	\$ 1,099,010
Changes for the year:	
Service cost	14,755
Interest	39,192
Changes of benefit terms	-
Differences between expected and actual experience	91,182
Changes in assumptions	18,913
Benefit payments	(62,796)
Net changes	101,246
Total OPEB liability - ending balance	<u>\$ 1,200,256</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,200,256
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

Tullahoma City Schools a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Tullahoma City Schools' proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. Tullahoma City Schools proportion of 0% did not change from the prior measurement date. Tullahoma City Schools recognized \$37,937 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Tullahoma City Schools retired employees.

***Changes in assumptions*** - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

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

***OPEB expense*** - For the fiscal year ended June 30, 2020, Tullahoma City Schools recognized OPEB expense of \$37,937.

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 - CONTINGENT LIABILITIES AND COMMITMENTS**

**A. Federal and State Financial Assistance**

The City has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, the City believes that any required reimbursements would not be material to the basic financial and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

**B. Other Commitments**

**Primary Government:**

**Governmental Activities:**

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired and a liability has been incurred and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

**Tallahoma Board of Education**

During the year ended June 30, 2020 two former employees filed suits with US Equal Employment Opportunity Commission (EEOC) alleging disability and sex discrimination by Tallahoma City Schools. The Board plans to defend the claims; therefore no provision has been made for any potential loss.

**Component Unit:**

**Tallahoma Municipal Airport Authority**

The Authority has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the programs, management believes that any required reimbursements would not be material to the financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

The Authority also has several construction projects in progress partially funded by grants.

**C. COVID-19**

In March 2020, the Covid-19 was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**NOTE 11 - INTERFUND TRANSACTIONS**

Transfers are used (1) to move revenue from the Education Debt Service Fund to the General Debt Service Fund as debt service principal and interest payments become due, (2) to move unrestricted revenues from the General Fund to other funds for various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.



**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 11 – INTERFUND TRANSACTIONS (Continued)**

Interfund transfers for the year ended June 30, 2020 consist of the following:

Transferred To	Transferred From		
	General Fund	Non-major Governmental Funds	Total
General Purpose School	\$ 9,482,183	\$ -	\$ 9,482,183
General Debt Service	926,587	3,034,637	3,961,224
Non-major Governmental Funds	5,079,384	55,625	5,135,009
Total	<u>\$ 15,488,154</u>	<u>\$ 3,090,262</u>	<u>\$ 18,578,416</u>

Interfund receivables and payables and amounts due to and due from funds of the primary government and component units at June 30, 2020 are attributable to unsettled balances at year-end primarily for charges and transfers between funds. The City intends to repay all interfund liabilities within the next fiscal year.

Balances at June 30, 2020 are as follows:

**Primary Government:**

Due To	Due From		
	<i>Governmental Activities</i>		
	General Fund	Non-major Governmental Funds	Total
<i>Governmental Activities:</i>			
General Purpose School	<u>\$ 608,956</u>	<u>\$ 41,345</u>	<u>\$ 650,301</u>

**CITY OF TULLAHOMA, TENNESSEE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 – TAX ABATEMENTS**

The City has issued tax abatements in the form of Tax Increment Financing (TIF) managed through its component unit, Tullahoma Area Economic Development Corporation (TAEDC) and by agreement with the Coffee County Industrial Board. The component unit, Tullahoma Industrial Development Board (TIDB) also has payment in lieu of tax (PILOT) agreements which are not considered to be tax abatements. None of the agreements contain claw back or recapture provisions based on performance goals.

The Tullahoma Industrial Development Board (TIDB) and the Tullahoma Area Economic Development Corporation (TAEDC) were both established under Tennessee Code Annotated Section 7-53-305, a provision of the Tennessee Industrial Development Corporations Act. In 2005, the City of Tullahoma transferred all industrial recruitment efforts to the Coffee County Industrial Development Board, with the TIDB maintained solely for the purpose of servicing existing contractual agreements and PILOTs. The City has four legacy PILOT agreements through the TIDB and one through the Coffee County Industrial Development Board.

The City created the TAEDC to promote economic development, more specifically in the aviation/aerospace, medical, technology, and retail sectors. Through the TAEDC, the City has one TIF, which was approved in 2014, with a 20 year term approved by the City of Tullahoma and a 10 year term approved by Coffee County. The total principal construction financed through the TIF is limited to \$1,834,500. For FY2020, the 2019 City TIF was \$81,381, with \$81,867 estimated for 2021, and \$81,867 for each subsequent year through 2035.

The Health, Educational and Housing Facility Board of the City of Tullahoma was established by resolution in April, 2012, and delegated the power to enter into payment in lieu of tax agreements pursuant to Tennessee Code Annotated section 48-101-312. This board approved one PILOT for the construction and operation of a skilled nursing facility in the City of Tullahoma. The PILOT provides for a graduated property tax payment schedule phased in over a six year period. Taxes assessed for 2019 were scheduled at 75% or \$79,668, with 2020 and subsequent years again at 100%.

	<u>PILOT</u>	<u>TIF</u>	<u>Total</u>
2021	\$ 11,903	\$ 81,381	\$ 93,284
2022	11,903	81,867	93,770
2023	-	81,867	81,867
2024	-	81,867	81,867
2025	-	81,867	81,867
2026-2035	-	818,670	818,670
	<u>          </u>	<u>          </u>	<u>          </u>
Total Taxes Abated	<u>\$ 23,806</u>	<u>\$ 1,227,519</u>	<u>\$ 1,251,325</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**City of Tullahoma Pension Plan**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Total pension liability</b>					
Service cost	\$ 56,571	\$ 190,576	\$ 313,883	\$ 389,350	\$ 420,086
Interest	4,243	18,837	55,722	93,771	132,055
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	433	164,914	104,069	44,607	(34,160)
Change of assumptions	-	-	10,024	-	-
Benefit payments, including refunds of employee contributions	-	(1,325)	(10,345)	(7,105)	(53,721)
<b>Net change in total pension liability</b>	<b>61,247</b>	<b>373,002</b>	<b>473,353</b>	<b>520,623</b>	<b>464,260</b>
<b>Total pension liability, beginning of period</b>	<b>-</b>	<b>61,247</b>	<b>434,249</b>	<b>907,602</b>	<b>1,428,225</b>
<b>Total pension liability, end of period (a)</b>	<b>\$ 61,247</b>	<b>\$ 434,249</b>	<b>\$ 907,602</b>	<b>\$ 1,428,225</b>	<b>\$ 1,892,485</b>
<b>Fiduciary net position</b>					
Contributions-employer	\$ 26,239	\$ 162,439	\$ 215,422	\$ 256,076	\$ 293,929
Contributions-employee	30,332	140,518	174,290	199,748	220,850
Net investment income	1,002	5,707	62,351	84,074	114,877
Benefit payments, including refunds of employee contributions	-	(1,325)	(10,345)	(7,105)	(53,721)
Administrative expenses	(565)	(5,560)	(7,541)	(8,912)	(9,139)
Other	-	-	-	-	-
<b>Net change in fiduciary net position</b>	<b>57,008</b>	<b>301,779</b>	<b>434,177</b>	<b>523,881</b>	<b>566,796</b>
<b>Fiduciary net position, beginning of period</b>	<b>-</b>	<b>57,008</b>	<b>358,787</b>	<b>792,964</b>	<b>1,316,845</b>
<b>Fiduciary net position, end of period (b)</b>	<b>\$ 57,008</b>	<b>\$ 358,787</b>	<b>\$ 792,964</b>	<b>\$ 1,316,845</b>	<b>\$ 1,883,641</b>
<b>Net Pension Liability, (a) – (b)</b>	<b>\$ 4,239</b>	<b>\$ 75,462</b>	<b>\$ 114,638</b>	<b>\$ 111,380</b>	<b>\$ 8,844</b>
<b>Fiduciary net position as a percentage of total pension liability</b>	<b>93.08%</b>	<b>82.62%</b>	<b>87.37%</b>	<b>92.20%</b>	<b>99.53%</b>
<b>Covered payroll</b>	<b>\$ 524,775</b>	<b>\$ 2,810,358</b>	<b>\$ 3,485,798</b>	<b>\$ 3,994,945</b>	<b>\$ 4,406,731</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>0.81%</b>	<b>2.69%</b>	<b>3.29%</b>	<b>2.79%</b>	<b>0.20%</b>

**Notes to Schedule:**

*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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**City of Tullahoma Pension Plan**  
Unaudited - See Accompanying Accountants' Report

	<b>Fiscal Year Ended June 30,</b>					
	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 30,332	\$ 162,439	\$ 215,422	\$ 256,076	\$ 293,929	\$ 321,288
Contribution in relation to the actuarially determined contribution	30,332	162,439	215,472	256,076	293,929	321,288
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 524,775	\$ 2,810,358	\$ 3,485,798	\$ 3,994,945	\$ 4,406,731	\$ 4,830,858
Contributions as a percentage covered payroll	5.78%	5.78%	6.18%	6.41%	6.67%	6.65%

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.

**NOTES TO SCHEDULE**

*Valuation date* : Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 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	2.5 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 investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

*Changes 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.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Tullahoma City Schools Defined Benefit Plan (TCSDBP)**  
Unaudited - See Accompanying Accountants' Report

Measurement Period Ending Fiscal year end	12/31/2014 6/30/2015	12/31/2015 6/30/2016	12/31/2016 6/30/2017	12/31/2017 6/30/2018	12/31/2018 6/30/2019	12/31/2019 6/30/2020
<b>Total pension liability</b>						
Service cost	\$ 282,987	\$ 350,647	\$ 280,858	\$ 290,221	\$ 266,264	\$ 282,487
Interest	538,503	620,656	556,830	557,487	549,733	597,748
Benefit payments	(391,229)	(557,590)	(708,979)	(707,210)	(862,254)	(429,318)
Differences between actual and expected experience	130,781	(158,673)	256,050	21,701	498,976	(370,759)
Change of assumptions	893,733	(17,880)	65,717	(35,045)	285,144	1,758,158
Changes in benefit terms	-	(1,049,740)	-	-	-	-
<b>Net change in total pension liability</b>	<b>1,454,775</b>	<b>(812,580)</b>	<b>450,476</b>	<b>127,154</b>	<b>737,863</b>	<b>1,838,316</b>
<b>Total pension liability, beginning of period</b>	<b>7,895,424</b>	<b>9,350,199</b>	<b>8,537,619</b>	<b>8,988,095</b>	<b>9,115,249</b>	<b>9,853,112</b>
<b>Total pension liability, end of period (a)</b>	<b>\$ 9,350,199</b>	<b>\$ 8,537,619</b>	<b>\$ 8,988,095</b>	<b>\$ 9,115,249</b>	<b>\$ 9,853,112</b>	<b>\$ 11,691,428</b>
<b>Fiduciary net position</b>						
Employee contributions	\$ 90,214	\$ 81,523	\$ 85,936	\$ 84,209	\$ 78,925	\$ 73,052
Employer contributions	529,211	801,523	765,935	1,109,208	1,028,925	723,294
Other contributions	-	-	-	-	-	-
Net investment income	228,690	(54,575)	310,101	734,984	(277,220)	1,089,856
Benefit payments	(391,229)	(557,590)	(708,979)	(707,210)	(862,254)	(429,318)
Administrative expenses	(33,601)	(39,181)	(35,950)	(41,110)	(46,530)	(40,940)
Other expenses	-	-	-	-	-	-
Other deductions	-	-	-	-	-	-
<b>Net change in fiduciary net position</b>	<b>423,285</b>	<b>231,700</b>	<b>417,043</b>	<b>1,180,081</b>	<b>(78,154)</b>	<b>1,415,944</b>
<b>Fiduciary net position, beginning of period</b>	<b>4,132,556</b>	<b>4,555,841</b>	<b>4,787,541</b>	<b>5,204,584</b>	<b>6,384,665</b>	<b>6,306,511</b>
<b>Fiduciary net position, end of period (b)</b>	<b>\$ 4,555,841</b>	<b>\$ 4,787,541</b>	<b>\$ 5,204,584</b>	<b>\$ 6,384,665</b>	<b>\$ 6,306,511</b>	<b>\$ 7,722,455</b>
<b>Net Pension Liability (asset), (a) – (b)</b>	<b>\$ 4,794,358</b>	<b>\$ 3,750,078</b>	<b>\$ 3,783,511</b>	<b>\$ 2,730,584</b>	<b>\$ 3,546,601</b>	<b>\$ 3,968,973</b>
<b>End of period assumptions</b>						
Long-term rate of return	6.50%	6.50%	6.25%	6.25%	6.00%	5.50%
Discount rate	6.50%	6.50%	6.25%	6.25%	6.00%	5.50%
Salary increase assumption	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%
Retirement age assumption	NRA	NRA	NRA	NRA	NRA	NRA
Plan changes	none	Future benefit accruals 1.5% of avg comp	none	Entry frozen 1/1/2018	none	none
<b>Fiduciary net position as a percentage of total pension liability</b>	<b>48.72%</b>	<b>56.08%</b>	<b>57.91%</b>	<b>70.04%</b>	<b>64.01%</b>	<b>66.05%</b>
<b>Covered payroll</b>	<b>\$ 2,738,273</b>	<b>\$ 2,639,666</b>	<b>\$ 2,770,106</b>	<b>\$ 2,668,123</b>	<b>\$ 2,568,586</b>	<b>\$ 2,360,047</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>175.09%</b>	<b>142.07%</b>	<b>136.58%</b>	<b>102.34%</b>	<b>138.08%</b>	<b>168.17%</b>

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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**Tullahoma City Schools Defined Benefit Plan (TCSDBP)**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$ 603,719	\$ 674,190	\$ 682,760	\$ 606,122	\$ 554,896	\$ 554,027	\$ 70,454
Contributions received by the plan	<u>680,909</u>	<u>554,818</u>	<u>803,290</u>	<u>664,946</u>	<u>1,764,296</u>	<u>470,479</u>	<u>820,697</u>
Contribution deficiency/(excess)	<u>\$ (77,190)</u>	<u>\$ 119,372</u>	<u>\$ (120,530)</u>	<u>\$ (58,824)</u>	<u>\$ (1,209,400)</u>	<u>\$ 83,548</u>	<u>\$ (750,243)</u>
Covered payroll	\$ 2,738,273	\$ 2,639,666	\$ 2,770,106	\$ 2,668,123	\$ 2,568,586	\$ 2,360,047	\$ 2,348,452
Contributions received as a percentage of covered payroll	24.87%	21.02%	29.00%	24.92%	68.69%	19.94%	34.95%
<b>ADC assumptions</b>							
Long-term rate of return on assets	6.50%	6.50%	6.50%	6.25%	6.25%	6.00%	5.50%
Interest rate	6.50%	6.50%	6.50%	6.25%	6.25%	6.00%	5.50%
Salary increase assumption	3.00%	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%
COLA increase assumption	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Retirement age assumption	NRA	NRA	NRA	NRA	NRA	NRA	NRA
		Future benefit accruals					
Plan changes	none	1.5% of avg comp	none	Entry frozen 1/1/2018	none	none	none

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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF INVESTMENT RETURNS**  
**Tulahoma City Schools Defined Benefit Plan (TCSDBP)**  
Unaudited - See Accompanying Accountants' Report

<b>Measurement Period Ending</b>	<b>12/31/2014</b>	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>
<b>Fiscal Year Ending</b>	<b><u>6/30/2015</u></b>	<b><u>6/30/2016</u></b>	<b><u>6/30/2017</u></b>	<b><u>6/30/2018</u></b>	<b><u>6/30/2019</u></b>	<b><u>6/30/2020</u></b>
Annual money-weighted rate of return on plan investments, net of investment expense	5.30%	-1.13%	6.28%	13.55%	-4.29%	16.65%

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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**Teacher Legacy Pension Plan of the TCRS**  
Unaudited - See Accompanying Accountants' Report

	<b>Fiscal Year Ended June 30,</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Proportionate share of the net pension liability (asset)	\$ (57,539)	\$ 144,756	\$ 2,278,043	\$ (125,740)	\$ (1,362,090)	\$ (4,129,806)
Proportion of the net pension liability (asset)	0.354096%	0.353380%	0.364519%	0.384313%	0.387077%	0.401662%
Covered payroll	\$ 13,898,232	\$ 13,228,797	\$ 13,158,438	\$ 13,585,286	\$ 13,554,152	\$ 13,468,277
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.41%	1.09%	17.31%	-0.93%	-10.05%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%

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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**Teacher Legacy Pension Plan of TCRS**  
Unaudited - See Accompanying Accountants' Report

	Fiscal Year Ended June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required	\$ 1,234,163	\$ 1,195,881	\$ 1,189,520	\$ 1,228,108	\$ 1,230,718	\$ 1,408,784	\$ 1,344,211
Contributions in relation to the contractually required contribution	<u>1,234,163</u>	<u>1,195,881</u>	<u>1,189,520</u>	<u>1,228,108</u>	<u>1,230,718</u>	<u>1,408,784</u>	<u>1,344,211</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,898,232	\$ 13,228,797	\$ 13,158,438	\$ 13,585,286	\$ 13,554,152	\$ 13,468,277	\$ 12,645,441
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%

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.

*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 grades from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**Teacher Retirement Plan of TCRS**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the net pension liability (asset)	0.425648%	0.302149%	0.279194%	0.273215%	0.276019%
Proportionate share of the net pension liability (asset)	\$ (17,124)	\$ (31,455)	\$ (73,659)	\$ (123,911)	\$ (155,809)
Covered payroll	\$ 884,387	\$ 1,329,474	\$ 1,832,449	\$ 2,837,572	\$ 2,920,839
Proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**Teacher Retirement Plan of TCRS**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>	<u>2020</u>
Contractually required contribution	\$ 22,110	\$ 33,279	\$ 67,655	\$ 38,935	\$ 56,664	\$ 53,264
Contributions in relation to the contractually required contribution	35,375	53,179	67,655	95,503	56,664	53,264
Contribution deficiency (excess)	<u>\$ (13,265)</u>	<u>\$ (19,900)</u>	<u>\$ -</u>	<u>\$ (56,568)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 884,387	\$ 1,329,474	\$ 1,691,378	\$ 2,387,572	\$ 2,920,839	\$ 2,037,174
Contributions as a percentage of covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	1.94%

\*In FY 2019 the Tullahoma School Board placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06 percent of covered payroll into the Pension Stabilization Reserve Trust.

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.

*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.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS**  
**Tullahoma City Schools Retirement Plan with Cost Controls**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	<b>2018</b>	<b>2019</b>
<b>Total pension liability</b>		
Service cost	\$ -	\$ 61,102
Interest	19,794	5,864
Changes in benefit terms	-	-
Differences between actual and expected experience	-	31,673
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	-	(33)
<b>Net change in total pension liability</b>	<u>19,794</u>	<u>98,606</u>
<b>Total pension liability, beginning of period</b>	<u>-</u>	<u>19,794</u>
<b>Total pension liability, end of period (a)</b>	<u><u>\$ 19,794</u></u>	<u><u>\$ 118,400</u></u>
<b>Fiduciary net position</b>		
Contributions-employer	\$ 16,178	\$ 23,321
Contributions-employee	20,222	70,243
Net investment income	1,442	5,993
Benefit payments, including refunds of employee contributions	-	(33)
Administrative expenses	(1,654)	(4,936)
Other expenses	-	-
<b>Net change in fiduciary net position</b>	<u>36,188</u>	<u>94,588</u>
<b>Fiduciary net position, beginning of period</b>	<u>-</u>	<u>36,188</u>
<b>Fiduciary net position, end of period (b)</b>	<u><u>\$ 36,188</u></u>	<u><u>\$ 130,776</u></u>
<b>Net Pension Liability (asset), (a) – (b)</b>	<u><u>\$ (16,394)</u></u>	<u><u>\$ (12,376)</u></u>
<b>Fiduciary net position as a percentage of total pension liability</b>	182.82%	110.45%
<b>Covered payroll</b>	\$ 404,437	\$ 1,404,862
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-4.05%	-0.88%

**NOTES TO SCHEDULE**

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 and salary growth.

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 TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**Tulahoma City Schools Retirement Plan with Cost Controls**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	2018	2019	2020
Actuarially determined contribution	\$ 5,217	\$ 23,321	\$ 78,818
Contribution in relation to the actuarially determined contribution	16,178	23,321	78,818
Contribution deficiency (excess)	<u>\$ (10,961)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 404,437	\$ 1,404,862	\$ 3,882,669
Contributions as a percentage covered payroll	4.00%	1.66%	2.03%

\*In FY 2019 the Tullahoma School Board placed the actuarially determined contribution rate (1.66%) of covered payroll into the pension plan and placed 2.34 percent of covered payroll into the Pension Stabilization Reserve Trust.

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.

**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	7.50 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the nvestment 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.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**City of Tullahoma OPEB Plan**  
Unaudited - See Accompanying Accountants' Report

	<b>Fiscal Year Ended June 30,</b>	
	<b>2019</b>	<b>2020</b>
<b>Total OPEB liability</b>		
Service cost	\$ 80,867	\$ 84,910
Interest	72,780	74,683
Changes in benefit terms	-	-
Differences between actual and expected experience	-	-
Change of assumptions	-	-
Benefit payments / Refunds	(83,230)	(89,472)
<b>Net change in total pension liability</b>	<b>70,417</b>	<b>70,121</b>
<b>Total pension liability, beginning of period</b>	<b>2,610,949</b>	<b>2,681,366</b>
<b>Total pension liability, end of period (a)</b>	<b>\$ 2,681,366</b>	<b>\$ 2,751,487</b>
<b>Plan Fiduciary net position</b>		
Contributions-employer	\$ 83,230	\$ 89,472
Contributions-employee	-	-
Net investment income	-	-
Benefit payments / Refunds	(83,230)	(89,472)
Administrative expenses	-	-
Other expenses	-	-
<b>Net change in fiduciary net position</b>	<b>-</b>	<b>-</b>
<b>Fiduciary net position, beginning of period</b>	<b>-</b>	<b>-</b>
<b>Fiduciary net position, end of period (b)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB Liability (a) – (b)</b>	<b>\$ 2,681,366</b>	<b>\$ 2,751,487</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered-employee payroll</b>	<b>\$ 6,188,353</b>	<b>\$ 6,374,004</b>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>43.30%</b>	<b>43.20%</b>

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

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**City of Tullahoma OPEB Plan**  
Unaudited - See Accompanying Accountants' Report

**Fiscal Year Ended June 30,**

	<u><b>2019</b></u>	<u><b>2020</b></u>
Actuarially determined contribution	\$ 243,857	\$ 267,310
Contribution in relation to the actuarially determined contribution	<u>82,230</u>	<u>89,472</u>
Contribution deficiency (excess)	<u><u>\$ (161,627)</u></u>	<u><u>\$ (177,838)</u></u>
 Covered-employee payroll	 \$ 6,188,353	 \$ 6,374,004
 Contributions as a percentage covered-employee payroll	 1.30%	 1.40%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPRTIONATE SHARE**  
**Closed Teacher Group OPEB Plan (TGOP)**  
Unaudited - See Accompanying Accountants' Report

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB liability</b>			
Service cost	\$ 435,113	\$ 405,490	\$ 399,501
Interest	205,084	248,059	233,139
Changes in benefit terms	-	(1,297,870)	(812,720)
Differences between actual and expected experience	-	350,776	466,009
Change of assumptions	(288,506)	148,524	(430,400)
Benefit payments	<u>(357,291)</u>	<u>(397,801)</u>	<u>(358,621)</u>
<b>Net change in total OPEB liability</b>	(5,600)	(542,822)	(503,092)
<b>Total OPEB liability, beginning of period</b>	<u>6,766,947</u>	<u>6,761,347</u>	<u>6,218,525</u>
<b>Total OPEB liability, end of period</b>	<u><u>\$ 6,761,347</u></u>	<u><u>\$ 6,218,525</u></u>	<u><u>\$ 5,715,433</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 2,088,370	\$ 1,303,931	\$ 1,537,366
Employer's proportionate share of the collective total OPEB liability	\$ 4,672,977	\$ 4,914,954	\$ 4,178,067
Covered-employee payroll	\$ 18,631,009	\$ 14,667,839	\$ 21,958,818
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	25.08%	33.51%	19.03%

**NOTES TO SCHEDULE**

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

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPRTIONATE SHARE**  
**Tullahoma City Schools Closed Tennessee Plan**

Unaudited - See Accompanying Accountants' Report

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB liability</b>			
Service cost	\$ 21,001	\$ 17,151	\$ 14,755
Interest	38,375	42,993	39,192
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	(112,716)	91,182
Change of assumptions	(99,374)	(7,503)	18,913
Benefit payments	<u>(62,550)</u>	<u>(62,855)</u>	<u>(62,796)</u>
<b>Net change in total OPEB liability</b>	<u>(102,548)</u>	<u>(122,930)</u>	<u>101,246</u>
<b>Total OPEB liability, beginning of period</b>	<u>1,324,488</u>	<u>1,221,940</u>	<u>1,099,010</u>
<b>Total OPEB liability, end of period</b>	<u><u>\$ 1,221,940</u></u>	<u><u>\$ 1,099,010</u></u>	<u><u>\$ 1,200,256</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,221,940	\$ 1,099,010	\$ 1,200,256
Employer's proportionate share of the collective total OPEB liability	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,631,009	\$ 14,667,839	\$ 21,958,818
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

**NOTES TO SCHEDULE**

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



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**GENERAL DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest	\$ 523	\$ -	\$ 523	\$ -	\$ -	\$ 523
EXPENDITURES:						
Principal retirement	3,039,000	-	3,039,000	3,039,000	3,039,000	-
Interest	865,039	-	865,039	1,286,951	1,286,951	421,912
Fiscal charges	1,450	-	1,450	3,000	3,000	1,550
Total expenditures	3,905,489	-	3,905,489	4,328,951	4,328,951	423,462
Excess (deficiency) of revenues over (under) expenditures	(3,904,966)	-	(3,904,966)	(4,328,951)	(4,328,951)	423,985
OTHER FINANCING SOURCES (USES):						
Transfers in	3,961,224	-	3,961,224	4,328,951	4,328,951	(367,727)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	3,961,224	-	3,961,224	4,328,951	4,328,951	(367,727)
Net change in fund balance	56,258	-	56,258	-	-	56,258
Fund balance, July 1, 2019	318,338	-	318,338	318,338	318,338	-
Fund balance, June 30, 2020	\$ 374,596	\$ -	\$ 374,596	\$ 318,338	\$ 318,338	\$ 56,258

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Special Revenue Funds								Debt Service Funds	Capital Projects Funds	
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Total Non-major Governmental Funds
ASSETS:											
Cash and cash equivalents	\$ 377	\$ 328,799	\$ 256,724	\$ 249,341	\$ 101,705	\$ 902,603	\$ 679,227	\$ 136,404	\$ 2,555,753	\$ 2,299,828	\$ 7,510,761
Investments	-	100,063	-	-	-	-	-	-	-	-	100,063
Receivables	-	515	7,552	76,767	-	-	-	-	-	-	84,834
Allowance for doubtful accounts	-	-	(2,021)	(25,470)	-	-	-	-	-	-	(27,491)
Notes receivable	-	-	-	-	-	-	1,126,669	48,092	-	-	1,174,761
Due from other governments	205,852	161,595	-	16,797	-	-	-	-	-	1,141,919	1,526,163
Due from other funds	-	-	-	-	-	-	-	-	191,057	-	191,057
Prepaid expenses	-	-	-	2,220	275	-	-	-	-	-	2,495
Total assets	\$ 206,229	\$ 590,972	\$ 262,255	\$ 319,655	\$ 101,980	\$ 902,603	\$ 1,805,896	\$ 184,496	\$ 2,746,810	\$ 3,441,747	\$ 10,562,643
LIABILITIES:											
Accrued liabilities	\$ -	\$ -	\$ -	\$ 38,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,931
Accrued payroll	34,963	-	-	-	-	-	-	-	-	-	34,963
Accounts payable	1,476	-	-	66,714	-	-	-	-	-	1,595,701	1,663,891
Due to other funds	21,000	-	20,345	-	-	-	-	-	-	-	41,345
Total liabilities	57,439	-	20,345	105,645	-	-	-	-	-	1,595,701	1,779,130
DEFERRED INFLOWS OF RESOURCES:											
Unavailable revenue - loans	-	-	-	-	-	-	1,126,669	48,092	-	-	1,174,761
Total deferred inflows of resources	-	-	-	-	-	-	1,126,669	48,092	-	-	1,174,761
FUND BALANCES:											
Nonspendable:											
Prepaid items	-	-	-	2,220	-	-	-	-	-	-	2,220
Restricted for:											
Debt service	-	-	-	-	-	-	-	-	2,746,810	-	2,746,810
Capital improvements	-	-	-	-	-	-	-	-	-	1,846,046	1,846,046
Drug enforcement	-	-	-	-	101,980	-	-	-	-	-	101,980
Grant projects	142,590	-	-	-	-	-	679,227	136,404	-	-	958,221
School operations	-	590,972	-	-	-	-	-	-	-	-	590,972
Solid waste	-	-	-	205,483	-	-	-	-	-	-	205,483
Extended school	-	-	241,910	-	-	-	-	-	-	-	241,910
Committtted to:											
Equipment replacement	-	-	-	-	-	902,603	-	-	-	-	902,603
Assigned	6,200	-	-	6,307	-	-	-	-	-	-	12,507
Total fund balances	148,790	590,972	241,910	214,010	101,980	902,603	679,227	136,404	2,746,810	1,846,046	7,608,752
Total liabilities, deferred inflows of resources and fund balances	\$ 206,229	\$ 590,972	\$ 262,255	\$ 319,655	\$ 101,980	\$ 902,603	\$ 1,805,896	\$ 184,496	\$ 2,746,810	\$ 3,441,747	\$ 10,562,643

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds								Debt Service Fund	Capital Projects Funds	
	School Federal and State Projects	School Food Services	Extended School Program	Solid Waste Management	Drug Enforcement	Equipment Replacement	UDAG	USDA Revolving Loans	Education Debt Service	Capital Projects	Total Non-major Governmental Funds
REVENUES:											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	2,048,340	1,882,976	-	-	-	-	-	-	-	62,048	3,993,364
Charges for services	-	470,607	183,670	828,130	35,719	-	-	-	-	-	1,518,126
Investment income	-	2,886	1,102	804	255	1,561	14,451	1,155	54,340	4,194	80,748
Note repayments	-	-	-	-	-	-	273,829	29,727	-	-	303,556
Sale of property	-	-	-	-	-	5,580	-	-	-	-	5,580
Other revenues	-	25,086	30,505	-	6,469	-	105	79	-	152,000	214,244
Total revenues	2,048,340	2,381,555	215,277	828,934	42,443	7,141	288,385	30,961	54,340	218,242	6,115,618
EXPENDITURES:											
Current:											
Education:											
Regular education	843,141	-	-	-	-	-	-	-	-	-	843,141
Special education	867,946	-	-	-	-	-	-	-	-	-	867,946
Vocational education	14,098	-	-	-	-	-	-	-	-	-	14,098
Other student support	13,838	-	-	-	-	-	-	-	-	-	13,838
Community services	166,036	-	-	-	-	-	-	-	-	-	166,036
Program costs	-	2,239,377	187,502	2,421,322	8,038	-	7,266	4	-	6,671	4,870,180
Capital outlay	143,283	52,624	9,716	61,984	12,451	297,172	-	-	-	3,671,418	4,248,648
Loans disbursed	-	-	-	-	-	-	253,291	15,300	-	-	268,591
Total expenditures	2,048,342	2,292,001	197,218	2,483,306	20,489	297,172	260,557	15,304	-	3,678,089	11,292,478
Excess (deficiency) revenues over (under) expenditures	(2)	89,554	18,059	(1,654,372)	21,954	(290,031)	27,828	15,657	54,340	(3,459,847)	(5,176,860)
OTHER FINANCING SOURCES (USES):											
Issuance of notes	-	-	-	-	-	-	-	-	-	2,586,602	2,586,602
Transfers in	-	-	-	1,656,206	-	336,000	-	-	2,326,277	816,526	5,135,009
Transfers out	-	-	-	(55,000)	-	-	-	-	(3,034,637)	(625)	(3,090,262)
Total other financing sources	-	-	-	1,601,206	-	336,000	-	-	(708,360)	3,402,503	4,631,349
Net change in fund balances	(2)	89,554	18,059	(53,166)	21,954	45,969	27,828	15,657	(654,020)	(57,344)	(545,511)
Fund balances, July 1, 2019	145,753	501,418	223,851	267,176	80,026	856,634	651,399	120,747	3,400,830	1,903,390	8,151,224
Prior period adjustment (See Note 2)	3,039	-	-	-	-	-	-	-	-	-	3,039
Fund balances, July 1, 2019, as restated	148,792	501,418	223,851	267,176	80,026	856,634	651,399	120,747	3,400,830	1,903,390	8,154,263
Fund balances, June 30, 2020	\$ 148,790	\$ 590,972	\$ 241,910	\$ 214,010	\$ 101,980	\$ 902,603	\$ 679,227	\$ 136,404	\$ 2,746,810	\$ 1,846,046	\$ 7,608,752

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**SCHOOL FEDERAL AND STATE PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental:						
State and federal	\$ 2,048,340	\$ -	\$ 2,048,340	\$ 2,076,188	\$ 2,306,153	\$ (257,813)
Total revenues	2,048,340	-	2,048,340	2,076,188	2,306,153	(257,813)
<b>EXPENDITURES:</b>						
Regular education:						
Salaries	527,662	-	527,662	571,080	597,081	69,419
Payroll taxes	36,959	-	36,959	44,147	45,678	8,719
Benefits	142,311	-	142,311	157,434	152,941	10,630
Staff development	93,581	-	93,581	117,857	105,707	12,126
Supplies	27,088	-	27,088	42,021	34,021	6,933
Other	15,540	964	16,504	67,807	86,090	69,586
Total regular education	843,141	964	844,105	1,000,346	1,021,518	177,413
Special education:						
Salaries	578,993	-	578,993	569,109	569,109	(9,884)
Payroll taxes	34,451	-	34,451	34,305	34,305	(146)
Benefits	146,322	-	146,322	153,872	153,872	7,550
Contract services	101,081	-	101,081	105,000	105,000	3,919
Staff development	595	-	595	6,000	6,000	5,405
Supplies	5,004	-	5,004	11,050	11,050	6,046
Other	1,500	-	1,500	2,420	4,145	2,645
Total special education	867,946	-	867,946	881,756	883,481	15,535
Vocational education:						
Supplies	-	-	-	4,200	-	-
Maintenance and repairs	1,318	-	1,318	1,500	1,318	-
Travel	3,715	-	3,715	-	3,715	-
Other	9,065	-	9,065	7,502	9,065	-
Total vocational education	14,098	-	14,098	13,202	14,098	-
Other student support:						
Salaries	-	-	-	1,000	-	-
Payroll taxes	-	-	-	76	-	-
Benefits	-	-	-	105	-	-
Travel	4,495	-	4,495	12,000	4,495	-
Staff development	3,402	-	3,402	2,700	3,402	-
Other	5,941	-	5,941	7,400	5,941	-
Total other student support	13,838	-	13,838	23,281	13,838	-
Community services:						
Salaries	140,264	-	140,264	-	182,845	42,581
Payroll taxes	10,710	-	10,710	-	13,988	3,278
Benefits	11,640	-	11,640	-	18,897	7,257
Supplies	3,422	-	3,422	-	7,000	3,578
Total community services	166,036	-	166,036	-	222,730	56,694
Capital outlay	143,283	5,236	148,519	157,603	150,488	1,969
Total expenditures	2,048,342	6,200	2,054,542	2,076,188	2,306,153	251,611
Net change in fund balance	(2)	(6,200)	(6,202)	-	-	(6,202)
Fund balance, July 1, 2019	145,753	-	145,753	145,753	145,753	-
Prior period adjustment (See Note 10)	3,039	-	3,039	3,039	3,039	-
Fund balances, July 1, 2019, as restated	148,792	-	148,792	148,792	148,792	-
Fund balance, June 30, 2020	<u>\$ 148,790</u>	<u>\$ (6,200)</u>	<u>\$ 142,590</u>	<u>\$ 148,792</u>	<u>\$ 148,792</u>	<u>\$ (6,202)</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**SCHOOL FOOD SERVICES FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Intergovernmental:						
State and federal	\$ 1,882,976	\$ -	\$ 1,882,976	\$ 1,770,000	\$ 1,790,000	\$ 92,976
Charges for services	470,607	-	470,607	642,000	642,000	(171,393)
Interest income	2,886	-	2,886	2,000	2,000	886
Other income	25,086	-	25,086	-	-	25,086
Total revenues	2,381,555	-	2,381,555	2,414,000	2,434,000	(52,445)
EXPENDITURES:						
Current:						
Salaries	765,552	-	765,552	770,000	770,000	4,448
Payroll taxes	55,853	-	55,853	51,000	51,000	(4,853)
Benefits	228,439	-	228,439	191,000	191,000	(37,439)
Contract services	29,155	-	29,155	30,000	30,000	845
Maintenance and repairs	28,148	-	28,148	50,000	50,000	21,852
Travel	8,578	-	8,578	15,000	15,000	6,422
Supplies	1,031,747	-	1,031,747	1,157,000	1,157,000	125,253
Other	91,905	-	91,905	108,000	108,000	16,095
Capital outlay	52,624	(40,079)	12,545	120,000	120,000	107,455
Total expenditures	2,292,001	(40,079)	2,251,922	2,492,000	2,492,000	240,078
Net change in fund balance	89,554	40,079	129,633	(78,000)	(58,000)	187,633
Fund balance, July 1, 2019	501,418	(40,079)	461,339	461,339	461,339	-
Fund balance, June 30, 2020	\$ 590,972	\$ -	\$ 590,972	\$ 383,339	\$ 403,339	\$ 187,633

See accompanying accountants' report.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**EXTENDED SCHOOL PROGRAM FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Charges for services	\$ 183,670	\$ -	\$ 183,670	\$ 258,900	\$ 258,900	\$ (75,230)
Interest income	1,102	-	1,102	-	-	1,102
Other income	30,505	-	30,505	17,843	-	30,505
Total revenues	215,277	-	215,277	276,743	258,900	(43,623)
<b>EXPENDITURES:</b>						
Program cost						
Extended school program						
Salaries	150,753	-	150,753	204,645	204,645	53,892
Payroll taxes	11,532	-	11,532	16,000	16,000	4,468
Benefits	12,103	-	12,103	18,000	18,000	5,897
Supplies	1,763	-	1,763	12,255	12,255	10,492
Other	3,224	-	3,224	8,000	8,000	4,776
Total extended school program	179,375	-	179,375	258,900	258,900	79,525
Daycare program						
Salaries	5,500	-	5,500	5,500	5,500	-
Payroll taxes	421	-	421	422	422	1
Benefits	496	-	496	496	496	-
Supplies	1,639	-	1,639	1,639	1,639	-
Other	71	-	71	71	71	-
Total daycare program	8,127	-	8,127	8,128	8,128	1
Total program cost	187,502	-	187,502	267,028	267,028	79,526
Capital outlay	9,716	-	9,716	9,716	9,716	-
Total expenditures	197,218	-	197,218	276,744	276,744	79,526
Net change in fund balance	18,059	-	18,059	(1)	(17,844)	35,903
Fund balance, July 1, 2019	223,851	-	223,851	223,851	223,851	-
Fund balance, June 30, 2020	\$ 241,910	\$ -	\$ 241,910	\$ 223,850	\$ 206,007	\$ 35,903

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**SOLID WASTE MANAGEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	828,130	-	828,130	956,929	818,435	9,695
Investment income	804	-	804	800	800	4
Total revenues	828,934	-	828,934	957,729	819,235	9,699
<b>EXPENDITURES:</b>						
Current:						
Salaries	895,774	-	895,774	960,005	925,499	29,725
Payroll taxes	62,572	-	62,572	75,302	74,306	11,734
Benefits	356,893	-	356,893	404,182	370,705	13,812
Telephone and utilities	1,038	-	1,038	1,300	1,300	262
Contract and professional	46,726	(3,726)	43,000	43,000	43,000	-
Repairs and maintenance	194,795	1,200	195,995	217,236	209,236	13,241
Travel and training	-	-	-	1,500	-	-
Supplies	15,926	-	15,926	21,800	19,362	3,436
Uniforms	6,232	-	6,232	10,700	6,700	468
Gas and oil	113,261	-	113,261	123,293	124,423	11,162
Parts and supplies	3,340	-	3,340	4,000	4,000	660
Operating insurance	75,142	-	75,142	83,570	82,940	7,798
Landfill	641,532	-	641,532	632,372	653,372	11,840
Other	8,091	-	8,091	15,097	11,715	3,624
Total program costs	2,421,322	(2,526)	2,418,796	2,593,357	2,526,558	107,762
Capital outlay	61,984	-	61,984	66,547	69,347	7,363
Total expenditures	2,483,306	(2,526)	2,480,780	2,659,904	2,595,905	115,125
Excess (deficiency) of revenues over (under) expenditures	(1,654,372)	2,526	(1,651,846)	(1,702,175)	(1,776,670)	124,824
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	1,656,206	-	1,656,206	1,574,712	1,656,206	-
Transfers out	(55,000)	-	(55,000)	-	(55,000)	-
Total other financing sources (uses)	1,601,206	-	1,601,206	1,574,712	1,601,206	-
Net change in fund balance	(53,166)	2,526	(50,640)	(127,463)	(175,464)	124,824
Fund balance, July 1, 2019	267,176	(9,833)	257,343	267,176	267,176	(9,833)
Fund balance, June 30, 2020	<u>\$ 214,010</u>	<u>\$ (7,307)</u>	<u>\$ 206,703</u>	<u>\$ 139,713</u>	<u>\$ 91,712</u>	<u>\$ 114,991</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**DRUG ENFORCEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Drug fines	\$ 11,837	\$ -	\$ 11,837	\$ 12,000	\$ 12,000	\$ (163)
State substance tax			-			-
Confiscated money	23,882	-	23,882	6,000	20,000	3,882
Confiscated equipment	6,469	-	6,469	-	6,469	-
Investment income	255	-	255	100	100	155
Other revenues	-	-	-	1,000	1,000	(1,000)
Total revenues	42,443	-	42,443	19,100	39,569	2,874
EXPENDITURES:						
Current:						
Salaries	1,343	-	1,343	500	1,500	157
Payroll taxes	103	-	103	153	153	50
Repairs and maintenance	-	-	-	1,000	-	-
Travel and training	-	-	-	500	500	500
Supplies	592	-	592	4,750	4,247	3,655
Other	6,000	-	6,000	6,000	6,000	-
Capital outlay	12,451	61,590	74,041	20,000	78,069	4,028
Total expenditures	20,489	61,590	82,079	32,903	90,469	8,390
Net change in fund balance	21,954	(61,590)	(39,636)	(13,803)	(50,900)	11,264
Fund balance, July 1, 2019	80,026	-	80,026	80,026	80,026	-
Fund balance, June 30, 2020	\$ 101,980	\$ (61,590)	\$ 40,390	\$ 66,223	\$ 29,126	\$ 11,264

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**UDAG FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Note repayments	\$ 273,829	\$ -	\$ 273,829	\$ 275,100	\$ 275,100	\$ (1,271)
Investment income	14,451	-	14,451	2,000	2,000	12,451
Other	105	-	105	100	100	(5)
Total revenues	288,385	-	288,385	277,200	277,200	11,175
<b>EXPENDITURES:</b>						
Program cost	135	-	135	42,100	42,100	41,965
Sign grant	7,131	-	7,131	15,000	15,000	7,869
Industrial loans	253,291	-	253,291	620,000	620,000	366,709
Total expenditures	260,557	-	260,557	677,100	677,100	416,543
Net change in fund balance	27,828	-	27,828	(399,900)	(399,900)	(405,368)
Fund balance, July 1, 2019	651,399	-	651,399	651,399	651,399	-
Fund balance, June 30, 2020	\$ 679,227	\$ -	\$ 679,227	\$ 251,499	\$ 251,499	\$ (405,368)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**USDA REVOLVING LOANS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Note repayments	\$ 29,727	\$ -	\$ 29,727	\$ 20,000	\$ 20,000	\$ 9,727
Investment Income	1,155	-	1,155	400	400	755
Other revenues	79	-	79	75	75	4
Total revenues	30,961	-	30,961	20,475	20,475	10,486
EXPENDITURES:						
Program costs	4	-	4	750	750	746
Loans disbursed	15,300	-	15,300	60,000	60,000	44,700
Total expenditures	15,304	-	15,304	60,750	60,750	45,446
Net change in fund balance	15,657	-	15,657	(40,275)	(40,275)	55,932
Fund balance, July 1, 2019	120,747	-	120,747	120,747	120,747	-
Fund balance, June 30, 2020	\$ 136,404	\$ -	\$ 136,404	\$ 80,472	\$ 80,472	\$ 55,932

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**EQUIPMENT REPLACEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>REVENUES:</b>						
Investment income	\$ 1,561	\$ -	\$ 1,561	\$ 2,000	\$ 2,000	\$ (439)
Sale of property	5,580	-	5,580	-	5,000	580
Total revenues	7,141	-	7,141	2,000	7,000	141
<b>EXPENDITURES:</b>						
Current:						
Other	-	-	-	17,971	17,971	17,971
Total current	-	-	-	17,971	17,971	17,971
Capital outlay	297,172	-	297,172	838,659	838,659	541,487
Total expenditures	297,172	-	297,172	856,630	856,630	559,458
Excess (deficiency) of revenues over (under) expenditures	(290,031)	-	(290,031)	(854,630)	(849,630)	559,599
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	336,000	-	336,000	306,000	415,000	(79,000)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	336,000	-	336,000	306,000	415,000	(79,000)
Net change in fund balance	45,969	-	45,969	(548,630)	(434,630)	480,599
Fund balance, July 1, 2019	856,634	-	856,634	856,634	856,634	-
Fund balance, June 30, 2020	\$ 902,603	\$ -	\$ 902,603	\$ 308,004	\$ 422,004	\$ 480,599

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**BUDGETARY BASIS (NON-GAAP)**  
**EDUCATION DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
REVENUES:						
Interest income	\$ 54,340	\$ -	\$ 54,340	\$ 20,000	\$ 20,000	\$ 34,340
Total revenues	54,340	-	54,340	20,000	20,000	34,340
EXPENDITURES:						
Program costs	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	54,340	-	54,340	20,000	20,000	34,340
OTHER FINANCING SOURCES (USES):						
Transfers in	2,326,277	-	2,326,277	3,257,717	3,257,717	(931,440)
Transfers out	(3,034,637)	-	(3,034,637)	(3,277,717)	(3,277,717)	243,080
Total other financing sources (uses)	(708,360)	-	(708,360)	(20,000)	(20,000)	(688,360)
Net change in fund balance	(654,020)	-	(654,020)	-	-	(654,020)
Fund balance, July 1, 2019	3,400,830	-	3,400,830	3,400,830	3,400,830	-
Fund balance, June 30, 2020	\$ 2,746,810	\$ -	\$ 2,746,810	\$ 3,400,830	\$ 3,400,830	\$ (654,020)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

**SCHOOL FEDERAL AND STATE PROJECTS FUND**

The School Federal and State Projects accounts for funds generated through federal and state grants which support various educational programs.

**SCHOOL FOOD SERVICES FUND**

The School Food Services Fund accounts for funds generated through the food service operations of the City Schools, and also includes funds received through state and federal grants for the free and reduced meal programs.

**EXTENDED SCHOOL PROGRAM FUND**

The Extended School Program Fund accounts for the program revenues and expenses related to the City Schools' extended school program which provides child care services before and after school.

**SOLID WASTE MANAGEMENT FUND**

To account for the receipts from garbage collection fees and expenses related to the City's solid waste activities.

**DRUG ENFORCEMENT FUND**

To account for funds confiscated by the City in drug law enforcement actions.

**EQUIPMENT REPLACEMENT FUND**

To account for the replacement of vehicles purchased by municipal departments.

**UDAG**

To account for repayment and disbursement of UDAG funds for businesses.

**USDA REVOLVING LOAN FUND**

To account for loans originally made from funds received from Rural Development.

**DEBT SERVICE FUNDS**

**EDUCATION DEBT SERVICE FUND**

Established by private act to provide funds to make debt service payments for Education facilities.  
Funded primarily by internal transfers of sales tax from the General Fund.

**CAPITAL PROJECTS FUNDS**

**CAPITAL PROJECTS FUNDS**

To account for the use of bond proceeds for the construction of public facilities and other public works projects including the building replacement fund.





**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**JUNE 30, 2020**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding June 30, 2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2020
<b>Governmental Activities:</b>									
<u>General Obligation Bonds Payable</u>									
General Obligation Refunding Bonds, Series 2006	\$ 9,320,000	3.5% - 4%	December 15, 2006	April 1, 2026	\$ 7,170,000	\$ -	\$ (1,055,000)	\$ -	\$ 6,115,000
General Obligation School Bonds, Series 2010	4,750,000	3% - 4%	August 10, 2010	October 1, 2032	4,050,000	-	(100,000)	-	3,950,000
General Obligation School Refunding Bonds, Series 2012	4,795,000	1% - 2%	November 28, 2012	April 1, 2021	1,575,000	-	(750,000)	-	825,000
General Obligation Refunding Bonds, Series 2016	4,585,000	2.37%	April 1, 2016	April 1, 2026	2,280,000	-	(285,000)	-	1,995,000
TMBF School Note, Series 2008	12,084,000	4.5%	August 6, 2008	May 25, 2033	8,954,000	-	(431,000)	-	8,523,000
TMBF City Note, Series 2008	1,125,000	4.5%	December 29, 2008	December 25, 2033	793,000	-	(42,000)	-	751,000
Total General Obligation Bonds Payable - Governmental Activities	36,659,000				24,822,000	-	(2,663,000)	-	22,159,000
<u>Notes from Direct Borrowings and Direct Placements:</u>									
Capital Outlay Notes, Series 2013	890,115	2.93%	September 16, 2013	October 1, 2025	558,000	-	(73,000)	-	485,000
Local Government Loan Program, Series 2013	2,400,000	3.00%	December 20, 2013	May 25, 2038	1,965,000	-	(91,000)	-	1,874,000
Capital Outlay Notes, Series 2014	650,000	2.26%	May 16, 2014	April 1, 2021	197,000	-	(97,000)	-	100,000
Local Government Loan Program, Series 2015	2,988,500	3.00%	March 31, 2015	May 21, 2040	2,712,000	-	(115,000)	-	2,597,000
Local Government Loan Program, Series 2017	2,070,665	2.45%	October 27, 2017	September 1, 2039	2,070,665	2,586,602	-	-	4,657,267
Total Notes Payable - Governmental Activities	8,999,280				7,502,665	2,586,602	(376,000)	-	9,713,267
Total Bonds and Notes Payable - Governmental Activities	\$ 45,658,280				\$ 32,324,665	\$ 2,586,602	\$ (3,039,000)	\$ -	\$ 31,872,267
<b>Component Units:</b>									
Tullahoma Municipal Airport Authority:									
<u>Notes from Direct Borrowings and Direct Placements:</u>									
UDAG Notes Payable (11-05-05)	\$ 369,780	0.75%	October 6, 2005	October 1, 2019	\$ 3,993	\$ -	\$ (3,993)	\$ -	\$ -
UDAG Notes Payable (10-20-16)	57,823	1.00%	October 20, 2016	October 20, 2020	19,423	-	(14,630)	-	4,793
UDAG Notes Payable (03-06-15)	11,385	1.00%	March 6, 2015	March 6, 2020	1,744	-	(1,744)	-	-
UDAG Notes Payable (11-14-18)	193,000	1.00%	November 14, 2018	November 14, 2030	184,031	-	(15,554)	-	168,477
Capital Outlay Note (10-23-17)	200,000	3.90%	October 23, 2017	October 1, 2029	186,600	-	(13,900)	-	172,700
Total Notes Payable - Municipal Airport Authority	\$ 854,988				\$ 395,791	\$ -	\$ (49,821)	\$ -	\$ 345,970

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**GENERAL OBLIGATION BONDS**  
**JUNE 30, 2020**

<b>Year</b>	<b>General Obligation Refunding Bonds Series 2006</b>		<b>General Obligation School Bonds Series 2010</b>		<b>General Obligation School Refunding Bonds Series 2012</b>		<b>General Obligation Refunding Bonds Series 2016</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 1,040,000	\$ 244,600	\$ 100,000	\$ 139,781	\$ 825,000	\$ 8,250	\$ 300,000	\$ 47,282
2022	1,035,000	203,000	100,000	137,094	-	-	310,000	40,171
2023	1,025,000	161,600	150,000	133,469	-	-	325,000	32,825
2024	1,015,000	120,600	150,000	128,969	-	-	340,000	25,122
2025	1,005,000	80,000	200,000	123,594	-	-	350,000	17,064
2026	995,000	39,800	200,000	117,219	-	-	370,000	8,769
2027	-	-	375,000	107,641	-	-	-	-
2028	-	-	400,000	94,313	-	-	-	-
2029	-	-	400,000	80,063	-	-	-	-
2030	-	-	425,000	64,843	-	-	-	-
2031	-	-	450,000	48,438	-	-	-	-
2032	-	-	475,000	30,500	-	-	-	-
2033	-	-	525,000	10,500	-	-	-	-
2034	-	-	-	-	-	-	-	-
	<u>\$ 6,115,000</u>	<u>\$ 849,600</u>	<u>\$ 3,950,000</u>	<u>\$ 1,216,424</u>	<u>\$ 825,000</u>	<u>\$ 8,250</u>	<u>\$ 1,995,000</u>	<u>\$ 171,233</u>

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**GENERAL OBLIGATION BONDS**  
**JUNE 30, 2020**

Year	Tennessee Municipal Bond Fund City Note Series 2008		Tennessee Municipal Bond Fund School Note Series 2008		Total General Obligation Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	\$ 44,000	\$ 33,795	\$ 450,000	\$ 383,535	\$ 2,759,000	\$ 857,243	\$ 3,616,243
2022	46,000	31,815	470,000	363,285	1,961,000	775,365	2,736,365
2023	48,000	29,745	492,000	342,135	2,040,000	699,774	2,739,774
2024	50,000	27,585	514,000	319,995	2,069,000	622,271	2,691,271
2025	52,000	25,335	537,000	296,865	2,144,000	542,858	2,686,858
2026	54,000	22,995	561,000	272,700	2,180,000	461,483	2,641,483
2027	57,000	20,565	586,000	247,455	1,018,000	375,661	1,393,661
2028	60,000	18,000	613,000	221,085	1,073,000	333,398	1,406,398
2029	62,000	15,300	640,000	193,500	1,102,000	288,863	1,390,863
2030	65,000	12,510	669,000	164,700	1,159,000	242,053	1,401,053
2031	68,000	9,585	699,000	134,595	1,217,000	192,618	1,409,618
2032	71,000	6,525	731,000	103,140	1,277,000	140,165	1,417,165
2033	74,000	3,350	763,000	70,245	1,362,000	84,095	1,446,095
2034	-	-	798,000	35,910	798,000	35,910	833,910
	<u>\$ 751,000</u>	<u>\$ 257,105</u>	<u>\$ 8,523,000</u>	<u>\$ 3,149,145</u>	<u>\$ 22,159,000</u>	<u>\$ 5,651,757</u>	<u>\$ 27,810,757</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**CAPITAL OUTLAY NOTES**  
**JUNE 30, 2020**

<b>Year</b>	<b>Capital Outlay Notes Series 2013 (09-16-13)</b>		<b>Capital Outlay Notes Series 2014 (05-16-14)</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 75,000	\$ 13,112	\$ 100,000	\$ 2,260
2022	77,000	10,885	-	-
2023	80,000	8,585	-	-
2024	82,000	6,212	-	-
2025	84,000	3,780	-	-
2026	87,000	1,275	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
	<u>\$ 485,000</u>	<u>\$ 43,849</u>	<u>\$ 100,000</u>	<u>\$ 2,260</u>

(continued)

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**CAPITAL OUTLAY NOTES**  
**JUNE 30, 2020**

Year	Local Government Loan Program Series 2013 (12-20-13)		Local Government Loan Program Series 2015 (03-31-15)		Total Capital Outlay Notes*		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	\$ 92,000	\$ 56,220	\$ 116,000	\$ 77,910	\$ 383,000	\$ 149,502	\$ 532,502
2022	93,000	53,460	118,000	74,430	288,000	138,775	426,775
2023	95,000	50,670	119,000	70,890	294,000	130,145	424,145
2024	96,000	47,820	120,000	67,320	298,000	121,352	419,352
2025	97,000	44,940	122,000	63,720	303,000	112,440	415,440
2026	99,000	42,030	123,000	60,060	309,000	103,365	412,365
2027	100,000	39,060	125,000	56,370	225,000	95,430	320,430
2028	102,000	36,060	126,000	52,620	228,000	88,680	316,680
2029	103,000	33,000	127,000	48,840	230,000	81,840	311,840
2030	105,000	29,910	129,000	45,030	234,000	74,940	308,940
2031	106,000	26,760	130,000	41,160	236,000	67,920	303,920
2032	108,000	23,580	132,000	37,260	240,000	60,840	300,840
2033	109,000	20,340	133,000	33,300	242,000	53,640	295,640
2034	111,000	17,070	135,000	29,310	246,000	46,380	292,380
2035	112,000	13,740	136,000	25,260	248,000	39,000	287,000
2036	114,000	10,380	138,000	21,150	252,000	31,530	283,530
2037	115,000	6,960	140,000	17,040	255,000	24,000	279,000
2038	117,000	3,510	141,000	12,840	258,000	16,350	274,350
2039	-	-	143,000	8,610	143,000	8,610	151,610
2040	-	-	144,000	4,320	144,000	4,320	148,320
	<u>\$ 1,874,000</u>	<u>\$ 555,510</u>	<u>\$ 2,597,000</u>	<u>\$ 847,440</u>	<u>\$ 5,056,000</u>	<u>\$ 1,449,059</u>	<u>\$ 6,505,059</u>

\* Construction loan and terms of the loan will be finalized when construction is complete. Balance due at June 30, 2020 is \$4,657,267.

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**TULLAHOMA MUNICIPAL AIRPORT AUTHORITY**  
**JUNE 30, 2020**

Year	City of Tullahoma UDAG Note (10-20-16)			City of Tullahoma UDAG Note (11-14-18)			Taxable Airport Improvement Capital Outlay Note, Series 2017			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 4,793	\$ 10	\$ 4,803	\$ 15,301	\$ 2,027	\$ 17,328	\$ 14,500	\$ 6,452	\$ 20,952	\$ 34,594	\$ 8,489	\$ 43,083
2022	-	-	-	15,493	1,835	17,328	15,000	5,877	20,877	30,493	7,712	38,205
2023	-	-	-	15,688	1,640	17,328	15,600	5,280	20,880	31,288	6,920	38,208
2024	-	-	-	15,886	1,443	17,329	16,200	4,660	20,860	32,086	6,103	38,189
2025	-	-	-	16,085	1,243	17,328	16,800	4,017	20,817	32,885	5,260	38,145
2026	-	-	-	16,287	1,041	17,328	17,500	3,348	20,848	33,787	4,389	38,176
2027	-	-	-	16,492	836	17,328	18,200	2,652	20,852	34,692	3,488	38,180
2028	-	-	-	16,699	629	17,328	18,900	1,929	20,829	35,599	2,558	38,157
2029	-	-	-	16,909	419	17,328	19,600	1,178	20,778	36,509	1,597	38,106
2030	-	-	-	17,122	206	17,328	20,400	398	20,798	37,522	604	38,126
2031	-	-	-	6,515	23	6,538	-	-	-	6,515	23	6,538
	<u>\$ 4,793</u>	<u>\$ 10</u>	<u>\$ 4,803</u>	<u>\$ 168,477</u>	<u>\$ 11,342</u>	<u>\$ 179,819</u>	<u>\$ 172,700</u>	<u>\$ 35,791</u>	<u>\$ 208,491</u>	<u>\$ 345,970</u>	<u>\$ 47,143</u>	<u>\$ 393,113</u>

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

For the Year Ended June 30, 2020 Federal Agency/ Pass-through Agency/ State Program Title	Program/ Cluster Name	CFDA Number	State Grant Number	Pass-through to Subrecipients	Grant Expenditures/ Uses
<b>STATE FINANCIAL ASSISTANCE PROGRAMS</b>					
Tennessee Department of Agriculture:	Child Nutrition Match	N/A	N/A	\$ -	\$ 19,930
"	Farmers Market Grant	N/A	N/A	-	750
Total Tennessee Department of Agriculture				-	20,680
Tennessee Department of Education	Basic Education Program	N/A	N/A	-	17,324,152
"	Career Ladder Supplement	N/A	N/A	-	65,709
"	Coordinated School Health	N/A	N/A	-	95,000
"	Middle School STEM start up grant	N/A	N/A	-	6,200
"	Safe Schools grant	N/A	N/A	-	45,941
"	School Security NR	N/A	N/A	-	80,070
"	Pre-K Voluntary for Tennessee Program	N/A	N/A	-	371,130
"	ConnectTN	N/A	N/A	-	5,293
Total Tennessee Department of Education				-	17,993,495
Tennessee Dept of Economic and Community Development	TN Downtown Grant	N/A	GG040119	-	14,036
"	ARC Downtown WiFi grant	N/A	TN19496	-	5,000
Total Tennessee Dept of Economic and Community Development				-	19,036
Tennessee Department of Health	Project Diabetes	N/A	Z19195682	-	15,000
"	Health Built Environment	N/A	Z19195444	-	10,000
Total Tennessee Department of Health				-	25,000
<b>Total State Financial Assistance Programs</b>				<b>\$ -</b>	<b>\$ 18,058,211</b>
<b>Component Units:</b>					
<b>Municipal Airport Authority</b>					
Tennessee Department of Transportation	FY20 Airport Maintenance	N/A	AERM-20-165-00	\$ -	\$ 15,000
"	Taxiway Drainage Repair	N/A	AERO-19-223-00	-	5,648
"	Taxiway Improvements	N/A	AERO-19-261-00	-	3,044
Total Tennessee Department of Transportation				<b>\$ -</b>	<b>\$ 23,692</b>
<b>Total State Financial Assistance Programs</b>				<b>\$ -</b>	<b>\$ 23,692</b>

See accompanying accountants' report.



**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AND NON-CASH ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

For the Year Ended June 30, 2020 Federal Agency/ Pass-through Agency/ State Program Title	Program/ Cluster Name	CFDA Number	State Grant Number	Pass-through to Subrecipients	Grant Expenditures
<b>FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b>					
U.S. Department of Agriculture	Child Nutrition Cluster:				
Passed Through Tennessee Department of Agriculture	National School Breakfast Program	10.553	N/A	\$ -	\$ 360,869 (1)
"	National School Breakfast Program COVID-19	10.553	N/A	-	160,824 (1)
"	National School Lunch Program	10.555	N/A	-	900,303 (1)
"	National School Lunch Program COVID-19	10.555	N/A	-	255,857 (1)
"	Child Nutrition - Fruits and Veg	10.582	N/A	-	23,200
"	Child Nutrition equipment grant	10.579	N/A	-	11,468
Total U.S. Department of Agriculture				-	1,712,521
U.S. Department of Education	Special Education (IDEA ) Cluster:				
Passed Through Tennessee Department of Education	IDEA - Part B	84.027A	H027A190052	-	817,993 (2)
"	IDEA - Preschool	84.173A	H173A190095	-	37,516 (2)
"	IDEA - Discretionary Increase Access to High				
"	Quality Instruction	84.027A	H027A190052	-	34,208 (2)
"	IDEA - Technology Partnership	84.027A	H027A190052	-	263 (2)
"	IDEA - B Discretionary (Supplemental Funds)	84.027A	H027A190052	-	2,095 (2)
"	Title I, Part A	84.010A	S010A190042	-	745,582
"	Title II, Part A	84.367A	S367A190040	-	92,158
"	Title III	84.365A	S365A160042	-	5,399
"	Title IV, Part B 21st Century	84.287	S287C180043	-	166,036
"	Title V 18.01, Part B	84.358B	S358B190042	-	42,282
"	Carl Perkins, Title I Part C 18.01	84.048A	V048A190042	-	59,991
"	Carl Perkins Reserve Grant	84.048A	V048A190042	-	44,817
Total U.S. Department of Education				-	2,048,340
U.S. Department of Human Services					
Passed Through Tennessee Department of Human Services	School to Work Program	84.126	Z-18-52618	-	139,700
"	School to Work Program	84.126	Z-18-52618A	-	29,132
Total Tennessee Department of Human Services				-	168,832
US Department of Safety and Homeland Security					
Passed Through Tennessee Department of Safety and Homeland Security	THSO - safe roads traffice enforcement	20.600	Z20THS305	-	9,321
Total Department of Safety and Homeland Security				-	9,321
Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	1,709
"	Bulletproof Vest Partnership Program	16.607	N/A	-	2,040
Total Department of Justice				-	3,749
U.S. Department of Transportation:					
Passed Through Tennessee Department of Transportation	Safe Routes to School Grant-sidewalks East Lincoln	20.205	SRTS-9209(16)	-	4,295
"	Short Springs Road, guard rail	20.205	STP-M-9209(17)	-	522
"	Cedar Lane Sidewalks Project	20.205	STP-M-9209(19)	-	13,195
Total U.S. Department of Transportation				-	18,012
<b>Total Federal Financial Assistance Programs</b>				<b>\$ -</b>	<b>\$ 3,960,775</b>
<b>FEDERAL FINANCIAL NON-CASH ASSISTANCE PROGRAM</b>					
U.S. Department of Agriculture:	Commodities: Food Distribution Program	10.565	N/A	\$ -	\$ 150,525
Total U.S. Department of Agriculture					
<b>Component Units:</b>					
<b>Municipal Airport Authority:</b>					
U.S. Department of Transportation					
Passed through Tennessee Department of Transportation	Taxiway Drainage Repair	20.106	3-47-SBGP-50	\$ -	\$ 101,669
"	Taxiway Improvements	20.106	3-47-SBGP-50	-	54,784
<b>Total Federal Financial Assistance Programs</b>				<b>\$ -</b>	<b>\$ 156,453</b>

(1) Total for Child Nutrition Cluster is \$1,677,853

(2) Total for Special Education Cluster is \$892,075

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AND STATE ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 - BASIS OF PRESENTATION**

**A. Non-cash Federal Programs – Uniform Guidance**

The City is the recipient of federal awards that do not result in cash receipts or disbursements, including the distribution of U.S. Department of Agriculture (USDA) Food Commodities (CFDA No. 10.555), which are valued based on a USDA price list obtained from the Tennessee Department of Health. Distributions under such programs are included in the accompanying Schedule of Expenditures of Federal and State Awards in the non-cash assistance section.

**B. Federal Financial Assistance without CFDA Numbers**

Federal Awards which have no assigned CFDA number have been included in the last section of the appropriate federal agency section.

**C. Schedule of Expenditures of State Awards**

In compliance with Tennessee state law, the accompanying Schedule of Expenditures of State Awards is included with this report. Such schedule presents all state funded financial awards, as defined by the State Comptroller's Office, and is prepared and presented in a manner consistent with the Schedule of Expenditures of Federal Awards.

**NOTE 2 - BASIS OF ACCOUNTING**

The expenditures presented in the accompanying Schedule of Expenditures of Federal and State Awards were developed from agency records and federal and state financial reports which have been reconciled to the accounting records of the City Schools. Governmental funds are reported using a modified accrual basis of accounting. The City Schools' records serve as the primary source of information in preparation of the City Schools' basic financial statements.

**NOTE 3 - MATCHING COST**

The State of Tennessee's portion of joint programs with the City is included in the accompanying Schedule of Expenditures of State Awards except in those cases where the state's portion is combined with the federal portion and cannot be separately identified. In such cases, the state's portion is included in the accompanying Schedule of Expenditures of Federal Awards. The City's portion of such joint awards is not included.

**NOTE 4 - INDIRECT COSTS**

Along with all other central service costs allowable under the Uniform Guidance is the amount which may be "allocated" among all programs of the City in a consistent manner, the cost for the audit of the City's financial statements and single audits are included in the City's Cost Allocation Plan.

Many of the City's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the Schedule of Expenditures of Federal and State Awards.

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF PROPERTY TAXES RECEIVABLE**  
**GENERAL FUND**  
**JUNE 30, 2020**

<b>Calendar Year of Levy</b>	<b>Amount</b>
2019	\$ 10,794,702
2018	411,055
2017	100,549
2016	39,971
2015	30,909
2014	25,420
2013	30,318
2012	24,045
2011	16,170
2010	5,653
2009	8,528
2008	10,835
2007	-
Total property tax receivable	11,498,155
Less: allowance for uncollectibles	(703,453)
Net property taxes receivable	<u>\$ 10,794,702</u>

\*Estimated amount of taxes levied on January 1, 2020 based upon estimate of assessment.

See accompanying accountants' report.

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Tax Year</b>	<b>Balance July 1, 2019</b>	<b>Tax Levy</b>	<b>Payments/ Adjustments</b>	<b>Anticipated Tax Levy</b>	<b>Balance June 30, 2020</b>
2020	\$ -	\$ -	\$ -	\$ 10,794,702	\$ 10,794,702
2019	-	10,794,702	(10,383,647)	-	411,055
2018	349,778	-	(249,229)	-	100,549
2017	58,527	-	(18,556)	-	39,971
2016	39,082	-	(8,173)	-	30,909
2015	29,366	-	(3,946)	-	25,420
2014	33,669	-	(3,351)	-	30,318
2013	24,984	-	(939)	-	24,045
2012	16,619	-	(449)	-	16,170
2011	5,653	-	-	-	5,653
2010	8,528	-	-	-	8,528
2009	10,774	-	61	-	10,835
2008	4,371	-	(4,371)	-	-
	<u>\$ 581,351</u>	<u>\$ 10,794,702</u>	<u>\$ (10,672,600)</u>	<u>\$ 10,794,702</u>	<u>\$ 11,498,155</u>

\*Estimated amount of taxes levied on January 1, 2020 based upon estimate of assessment.

See accompanying accountants' report.



## **STATISTICAL SECTION (UNAUDITED)**

This part of the City of Tullahoma's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. This section has not been audited by the independent auditors.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	E-2
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	E-6
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	E-10
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	E-15
<b>Operating Information</b>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	E-18
<b>Other Information</b>	E-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CITY OF TULLAHOMA, TENNESSEE**  
**NET POSITION BY COMPONENTS**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017*	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 235,191	\$ 2,710,459	\$ 4,863,118	\$ 5,397,379	\$ 5,986,578	\$ 7,778,998	\$ 9,810,692	\$ 12,439,052	\$ 13,634,870	\$ 16,209,639
Restricted	3,715,245	3,738,226	8,633,751	10,805,869	7,435,009	12,199,196	15,148,325	13,666,167	15,520,583	16,593,089
Unrestricted	11,279,566	10,166,269	4,876,967	5,247,862	5,291,852	5,947,329	5,338,274	5,974,261	4,463,317	5,173,852
Total governmental activities net position	<u>\$ 15,230,002</u>	<u>\$ 16,614,954</u>	<u>\$ 18,373,836</u>	<u>\$ 21,451,110</u>	<u>\$ 18,713,439</u>	<u>\$ 25,925,523</u>	<u>\$ 30,297,291</u>	<u>\$ 32,079,480</u>	<u>\$ 33,618,770</u>	<u>\$ 37,976,580</u>
Business-type activities:										
Net investment in capital assets	\$ 21,637,303	\$ 20,030,111	\$ 22,939,822	\$ 26,377,804	\$ 27,146,940	\$ 27,944,063	\$ -	\$ -	\$ -	\$ -
Restricted	8,179,585	11,141,987	9,458,119	7,903,956	7,659,795	9,229,348	-	-	-	-
Unrestricted	10,270,015	9,481,715	10,518,930	11,203,397	12,220,689	11,409,389	-	-	-	-
Total business-type activities net position	<u>\$ 40,086,903</u>	<u>\$ 40,653,813</u>	<u>\$ 42,916,871</u>	<u>\$ 45,485,157</u>	<u>\$ 47,027,424</u>	<u>\$ 48,582,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government:										
Net investment in capital assets	\$ 21,872,494	\$ 22,740,570	\$ 27,802,940	\$ 31,775,183	\$ 33,133,518	\$ 35,723,061	\$ 9,810,692	\$ 12,439,052	\$ 13,634,870	\$ 16,209,639
Restricted	11,894,830	14,880,213	18,091,870	18,709,825	15,094,804	21,428,544	15,148,325	13,666,167	15,520,583	16,593,089
Unrestricted	21,549,581	19,647,984	15,395,897	16,451,259	17,512,541	17,356,718	5,338,274	5,974,261	4,463,317	5,173,852
Total primary government net position	<u>\$ 55,316,905</u>	<u>\$ 57,268,767</u>	<u>\$ 61,290,707</u>	<u>\$ 66,936,267</u>	<u>\$ 65,740,863</u>	<u>\$ 74,508,323</u>	<u>\$ 30,297,291</u>	<u>\$ 32,079,480</u>	<u>\$ 33,618,770</u>	<u>\$ 37,976,580</u>

Note:

\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

**CITY OF TULLAHOMA, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017*	2018	2019	2020
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,064,175	\$ 2,475,135	\$ 2,200,671	\$ 2,301,526	\$ 2,326,542	\$ 4,583,446	\$ 4,648,635	\$ 4,645,263	\$ 5,517,968	\$ 5,248,460
Public safety	4,899,328	4,785,495	4,914,353	5,157,936	5,262,024	5,422,107	5,780,881	5,936,716	6,052,308	5,970,844
Public works	4,013,062	4,199,087	4,090,510	4,520,320	4,891,574	4,648,946	4,805,951	4,609,395	5,062,469	5,026,792
Community services	184,212	442,897	428,682	575,091	511,199	570,031	739,254	585,158	803,039	710,425
Waste management	1,770,754	1,856,650	1,862,225	1,889,484	1,926,323	2,027,969	2,350,140	2,342,409	2,396,156	2,483,306
Education	33,264,419	33,274,087	34,290,366	33,748,472	33,329,968	32,127,426	35,281,626	36,440,452	36,638,456	37,980,340
Interest and other debt related costs	1,335,436	1,300,931	1,160,626	1,025,774	980,816	938,576	928,612	981,057	959,844	854,458
Total governmental activities expenses	47,531,386	48,334,282	48,947,433	49,218,603	49,228,446	50,318,501	54,535,099	55,540,450	57,430,240	58,274,625
Business-type activities:										
Tullahoma Utilities Board	39,907,815	40,547,972	40,468,208	41,467,595	42,336,086	41,144,537	-	-	-	-
Total primary government expenses	\$ 87,439,201	\$ 88,882,254	\$ 89,415,641	\$ 90,686,198	\$ 91,564,532	\$ 91,463,038	\$ 54,535,099	\$ 55,540,450	\$ 57,430,240	\$ 58,274,625
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 458,043	\$ 586,807	\$ 451,699	\$ 522,931	\$ 510,331	\$ 2,996,502	\$ 3,043,166	\$ 3,122,986	\$ 3,004,335	\$ 2,992,075
Public safety	49,571	30,229	44,739	22,055	21,158	26,176	17,014	12,870	9,669	35,719
Waste management	772,619	782,997	733,094	724,011	701,567	904,916	1,072,840	992,112	919,303	828,130
Education	1,344,984	1,293,993	1,252,068	1,284,091	1,202,796	1,144,680	1,103,479	1,030,739	1,061,577	908,976
Operating grants and contributions	26,517,844	26,737,388	27,920,300	28,858,212	28,530,382	29,517,779	29,932,701	30,990,463	30,820,420	31,825,672
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	29,143,061	29,431,414	30,401,900	31,411,300	30,966,234	34,590,053	35,169,200	36,149,170	35,815,304	36,590,572
Business-type activities:										
Charges for services:										
Tullahoma Utilities Board	40,982,582	41,207,244	42,396,018	43,594,960	43,830,565	42,796,126	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	317,305	28,896	446,530	766,249	189,776	95,197	-	-	-	-
Total business-type activities program revenues	41,299,887	41,236,140	42,842,548	44,361,209	44,020,341	42,891,323	-	-	-	-
Total primary government program revenues	\$ 70,442,948	\$ 70,667,554	\$ 73,244,448	\$ 75,772,509	\$ 74,986,575	\$ 77,481,376	\$ 35,169,200	\$ 36,149,170	\$ 35,815,304	\$ 36,590,572
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (18,388,325)	\$ (18,902,868)	\$ (18,545,533)	\$ (17,807,303)	\$ (18,262,212)	\$ (15,728,448)	\$ (19,365,899)	\$ (19,391,280)	\$ (21,614,936)	\$ (21,684,053)
Business-type activities	1,392,072	688,168	2,374,340	2,893,614	1,684,255	1,746,786	-	-	-	-
Total primary government net (expense)/revenue	\$ (16,996,253)	\$ (18,214,700)	\$ (16,171,193)	\$ (14,913,689)	\$ (16,577,957)	\$ (13,981,662)	\$ (19,365,899)	\$ (19,391,280)	\$ (21,614,936)	\$ (21,684,053)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property	\$ 8,859,312	\$ 8,945,804	\$ 9,371,787	\$ 10,034,154	\$ 10,849,859	\$ 10,684,045	\$ 10,691,265	\$ 10,729,222	\$ 10,705,529	\$ 10,844,430
Local option sales	7,567,686	8,281,290	8,441,549	8,702,708	9,064,791	9,640,761	9,653,579	10,114,032	10,475,112	11,240,967
Other taxes	1,509,462	1,625,657	1,603,231	1,682,403	1,678,591	1,749,653	2,375,383	2,415,856	2,757,304	2,780,561
Investment earnings	310,219	138,125	115,731	62,326	56,349	78,402	103,373	151,441	242,178	193,044
Other revenues	296,752	1,000,543	904,568	492,884	407,671	422,852	791,353	1,077,012	674,690	813,852
Gain on sale of property	6,630	10,315	4,335	-	1,805	13,499	7,000	102,354	46,008	5,680
Transfers	348,169	321,649	(89,082)	286,474	374,523	391,184	-	-	-	-
Total governmental activities	18,898,230	20,323,383	20,352,119	21,260,949	22,433,589	22,980,396	23,621,953	24,589,917	24,900,821	25,878,534
Business-type activities:										
Investment earnings	36,217	32,161	37,439	26,099	23,637	48,451	-	-	-	-
Other revenues	153,804	66,558	113,324	65,118	189,502	151,323	-	-	-	-
Gain on disposal of equipment	-	12,147	9,546	(17,796)	19,396	-	-	-	-	-
Transfers	(403,406)	(232,124)	(271,591)	(286,474)	(374,523)	(391,184)	-	-	-	-
Total business-type activities	(213,385)	(121,258)	(111,282)	(213,053)	(141,988)	(191,410)	-	-	-	-
Total primary government	\$ 18,684,845	\$ 20,202,125	\$ 20,240,837	\$ 21,047,896	\$ 22,291,601	\$ 22,788,986	\$ 23,621,953	\$ 24,589,917	\$ 24,900,821	\$ 25,878,534
<b>Change in Net Position</b>										
Governmental activities	\$ 509,905	\$ 1,420,515	\$ 1,806,586	\$ 3,453,646	\$ 4,171,377	\$ 7,251,948	\$ 4,256,054	\$ 5,198,637	\$ 3,285,885	\$ 4,194,481
Business-type activities	1,178,687	566,910	2,263,058	2,680,561	1,542,267	1,555,376	-	-	-	-
Total primary government	1,688,592	1,987,425	4,069,644	6,134,207	5,713,644	8,807,324	4,256,054	5,198,637	3,285,885	4,194,481
Prior period adjustment	2,271,438	(35,563)	(47,704)	(488,647)	(6,909,048)	(39,864)	115,714	(3,416,448)	(1,746,595)	163,329
Total change in net position	\$ 3,960,030	\$ 1,951,862	\$ 4,021,940	\$ 5,645,560	\$ (1,195,404)	\$ 8,767,460	\$ 4,371,768	\$ 1,782,189	\$ 1,539,290	\$ 4,357,810

Note:

\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.



**CITY OF TULLAHOMA, TENNESSEE**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2011*	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable:										
Prepaid items	8,432	55,354	25,628	21,968	35,491	47,993	70,057	70,392	57,537	37,664
Restricted for:										
Drug enforcement	-	-	57,657	22,262	5,158	437	4,062	9,683	13,880	19,594
Other projects	-	-	80,236	81,375	104,420	187,575	211,322	130,378	103,706	114,722
Committed to:										
Encumbrances	52,887	144,615	87,745	17,715	13,069	-	-	-	-	-
Permanent streets - SSA	-	-	-	163,101	-	-	-	-	-	-
Equipment replacement	936,414	-	544,132	262,023	- *	-	-	-	-	-
Stabilization fund	-	-	-	891,666	1,269,493	1,295,162	1,856,318	1,910,326	1,441,039	1,554,478
Assigned to:										
Paving appropriated by 2012 budget	445,000	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	23,069	15,293	100,063	9,657	60,253
Unassigned	4,260,389	6,318,096	5,685,487	5,412,758	5,491,847	6,043,369	4,704,786	4,845,451	5,586,238	5,847,018
Total general fund	<u>\$ 5,703,122</u>	<u>\$ 6,518,065</u>	<u>\$ 6,480,885</u>	<u>\$ 6,872,868</u>	<u>\$ 6,919,478</u>	<u>\$ 7,597,605</u>	<u>\$ 6,861,838</u>	<u>\$ 7,066,293</u>	<u>\$ 7,212,057</u>	<u>\$ 7,633,729</u>
All Other Governmental Funds:										
Reserved, reported in:										
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	1,589	1,500	2,624	35,150	37,740	1,980	2,230	2,220
Restricted for:										
Capital improvements	711,588	975,466	972,978	859,865	1,455,692	1,517,103	1,933,296	1,941,319	1,903,390	1,846,046
Debt service	2,769,685	2,464,343	2,547,489	2,989,879	3,355,975	3,695,414	3,692,686	3,667,289	3,719,168	3,121,406
Drug enforcement	84,230	81,250	96,652	90,035	98,457	96,193	95,574	90,312	80,026	101,980
Grant projects	811,316	387,705	572,792	784,114	638,589	790,800	975,449	1,259,303	917,899	958,221
School operations	5,268,135	4,203,984	3,954,593	5,904,375	6,571,848	8,564,918	9,041,958	9,679,294	9,563,084	10,294,431
Solid waste	171,083	182,700	198,950	214,275	219,807	241,478	381,104	357,813	255,113	205,483
Extended school	117,399	123,369	104,504	88,436	152,114	198,031	220,580	233,313	223,851	241,910
Equipment replacement	-	-	-	-	590,235	564,236	848,024	976,387	856,634	902,603
Stabilization Reserve Trust	-	-	-	-	-	-	-	-	-	212,600
Committed to:										
Encumbrances	21,806	8,668	1,070	9,176	-	-	-	-	-	-
Assigned to:										
School MOE	139,268	139,268	286,736	286,736	286,736	286,736	286,736	286,736	286,736	292,375
Other	-	-	-	-	-	163,559	312,267	64,819	49,912	12,507
Total all other governmental funds	<u>\$ 10,094,510</u>	<u>\$ 8,566,753</u>	<u>\$ 8,737,353</u>	<u>\$ 11,228,391</u>	<u>\$ 13,372,077</u>	<u>\$ 16,153,618</u>	<u>\$ 17,825,414</u>	<u>\$ 18,558,565</u>	<u>\$ 17,858,043</u>	<u>\$ 18,191,782</u>

Notes:

\* In 2011, the City implemented GASB Statement No. 54.

\*\* General Fund balance committed to Equipment replacement is not in the 2015 amounts since fund was pulled out.

**CITY OF TULLAHOMA, TENNESSEE**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues:</b>										
Taxes	\$ 17,752,523	\$ 18,655,100	\$ 19,352,565	\$ 20,302,231	\$ 21,530,130	\$ 21,995,432	\$ 22,137,876	\$ 22,637,738	\$ 23,030,623	\$ 23,972,880
Payment in lieu of tax	183,937	197,651	64,002	117,034	63,111	79,027	582,351	621,372	907,322	893,078
Intergovernmental	26,517,844	26,737,388	27,920,300	28,858,212	28,530,382	29,517,779	29,932,701	30,990,463	30,820,420	31,820,672
Licenses and permits	78,399	83,580	60,667	75,761	69,970	89,499	95,928	130,186	103,755	168,102
Fines and forfeitures	271,996	401,497	285,286	339,439	296,694	327,496	340,979	354,632	254,212	151,114
Charges for services	2,225,251	2,178,720	2,090,908	2,115,833	2,048,030	2,466,610	2,614,082	2,461,137	2,369,490	2,011,524
Investment income	172,165	136,234	114,043	61,377	56,166	77,768	101,730	149,021	239,235	188,984
Sale of property	10,630	263,704	33,979	380	1,805	14,589	7,000	102,354	46,008	5,680
Note repayments	136,012	21,852	231,108	268,744	251,447	307,536	321,650	295,133	285,561	303,556
Other	484,324	1,030,772	949,307	514,939	428,829	432,737	738,654	950,155	548,909	663,398
Total revenues	47,833,081	49,706,498	51,102,165	52,653,950	53,276,564	55,308,473	56,872,951	58,692,191	58,605,535	60,178,988
<b>Expenditures:</b>										
General government	1,234,081	1,358,035	1,315,194	1,375,272	1,377,007	1,511,588	1,596,369	1,749,426	1,854,606	1,995,610
Public safety	4,809,616	4,784,089	4,917,067	5,154,815	5,175,176	5,276,039	5,669,534	5,849,293	6,063,401	5,868,823
Public works	1,947,571	2,036,722	2,081,867	2,160,985	2,526,860	2,466,897	2,701,517	2,306,762	2,349,825	2,493,873
Parks and recreation	1,250,197	1,319,151	1,286,665	1,246,121	1,410,020	1,777,739	1,892,417	1,946,947	1,991,399	1,817,731
Community services	174,919	451,058	479,868	576,904	481,399	548,111	736,690	576,705	764,366	697,364
Waste management	1,717,743	-	-	-	-	-	-	-	-	-
Public education	29,354,890	29,040,195	29,543,152	29,545,083	30,013,294	29,978,405	32,194,990	33,458,121	34,331,885	34,393,031
Program costs	1,924,886	3,985,279	4,101,157	4,196,864	4,291,040	4,510,580	5,018,525	4,947,549	4,930,312	4,870,180
Capital outlay	7,827,750	3,653,411	4,009,508	4,118,658	5,859,668	3,726,328	2,358,330	3,117,849	4,307,656	5,795,018
Loans disbursed	468,589	639,500	71,905	90,000	466,141	183,500	138,366	14,000	633,000	268,591
Debt service:										
Principal	1,917,000	2,174,000	2,323,000	2,252,000	2,613,115	7,258,000	2,790,500	2,864,000	2,936,000	3,039,000
Interest	1,263,774	1,262,493	1,189,464	1,047,690	1,012,054	984,148	953,753	971,603	972,208	865,039
Fiscal charges	67,784	1,465	67,050	2,600	1,800	29,235	1,650	46,650	1,300	1,450
Total expenditures	53,958,800	50,705,398	51,385,897	51,766,992	55,227,574	58,250,570	56,052,641	57,848,905	61,135,958	62,105,710
Excess of revenues over (under) expenditures	(6,125,719)	(998,900)	(283,732)	886,958	(1,951,010)	(2,942,097)	820,310	843,286	(2,530,423)	(1,926,722)
<b>Other Financing Sources (Uses):</b>										
Issuance of refunding bonds	4,750,000	-	4,700,000	-	-	4,585,000	-	-	-	-
Issuance of notes	1,329,412	-	-	1,737,955	3,766,782	1,423,878	-	95,000	1,975,665	2,586,602
Payment to refunding bond escrow agent	-	-	(4,795,000)	-	-	-	-	-	-	-
Bond issue premium	-	-	215,561	-	-	-	-	-	-	-
Transfers in	19,785,433	15,816,090	15,547,893	16,514,047	17,594,604	17,162,048	17,298,839	17,613,474	17,492,278	18,578,416
Transfers out	(19,449,502)	(15,494,411)	(15,251,302)	(16,227,573)	(17,220,081)	(16,770,864)	(17,298,839)	(17,613,474)	(17,492,278)	(18,578,416)
Total other financing sources (uses)	6,415,343	321,679	417,152	2,024,429	4,141,305	6,400,062	-	95,000	1,975,665	2,586,602
Net change in fund balances	\$ 289,624	\$ (677,221)	\$ 133,420	\$ 2,911,387	\$ 2,190,295	\$ 3,457,965	\$ 820,310	\$ 938,286	\$ (554,758)	\$ 659,880
Debt service as a percentage of noncapital expenditures	7.33%	7.74%	7.87%	7.31%	7.18%	14.91%	6.89%	6.89%	6.80%	6.88%

**CITY OF TULLAHOMA, TENNESSEE**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Total Taxable Assessed Value</b>	<b>County</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
2011	2010	\$ 169,593,225	\$ 183,579,854	\$ 353,173,079	Coffee	2.29	\$ 1,165,946,883	30.291%
		18,803,125	4,482,745	23,285,870	Franklin	2.42	89,140,759	26.123%
2012	2011	169,198,875	183,726,208	352,925,083	Coffee	2.29	1,163,428,830	30.335%
		18,722,900	4,879,356	23,602,256	Franklin	2.42	88,680,716	26.615%
2013	2012	170,118,350	188,815,256	358,933,606	Coffee	2.29	1,183,144,274	30.337%
		18,403,050	4,338,099	22,741,149	Franklin	2.31	86,593,425	26.262%
2014	2013	171,331,825	192,247,233	363,579,058	Coffee	2.54	1,198,477,195	30.337%
		18,729,550	5,107,985	23,837,535	Franklin	2.56	90,464,876	26.350%
2015	2014	169,335,750	192,629,158	361,964,908	Coffee	2.60	1,189,993,603	30.417%
		19,406,475	4,912,797	24,319,272	Franklin	2.61	92,564,873	26.273%
2016	2015	176,428,575	194,591,762	371,020,337	Coffee	2.60	1,224,636,987	30.296%
		20,337,700	5,463,209	25,800,909	Franklin	2.61	98,303,094	26.246%
2017	2016	178,058,200	195,395,177	373,453,377	Coffee	2.60	1,239,656,432	30.126%
		20,700,150	5,101,673	25,801,823	Franklin	2.61	98,771,326	26.123%
2018	2017	180,593,025	198,232,506	378,825,531	Coffee	2.60	1,255,878,087	30.164%
		22,849,900	4,926,747	27,776,647	Franklin	2.44	106,305,516	26.129%
2019	2018	204,435,875	200,592,523	405,028,398	Coffee	2.43	1,347,794,925	30.051%
		22,794,600	4,846,210	27,640,810	Franklin	2.43	105,712,297	26.147%
2020	2019	208,654,650	208,268,986	416,923,636	Coffee	2.43	1,395,207,031	29.883%
		22,851,050	4,360,341	27,211,391	Franklin	2.43	118,249,042	23.012%

Ratio of assessed value to appraised value:      25 % Residential, Farm, Agricultural, and Forest  
    40 % Commerical and Industrial  
    30 % Personal (equipment)

**CITY OF TULLAHOMA, TENNESSEE  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Coffee County</b>				<b>Franklin County</b>			
	<b>Direct Rate</b>		<b>Overlapping Rate</b>		<b>Direct Rate</b>		<b>Overlapping Rate</b>	
	<b>General Fund</b>	<b>Total City Direct Rate</b>	<b>Total Overlapping Coffee County Rate <sup>(1)</sup></b>	<b>Total Direct and Overlapping Rate</b>	<b>General Fund</b>	<b>Total City Direct Rate</b>	<b>Total Overlapping Franklin County Rate <sup>(2)</sup></b>	<b>Total Direct and Overlapping Rate</b>
2011	2.29	2.29	2.58	4.87	2.42	2.42	2.23	4.65
2012	2.29	2.29	2.58	4.87	2.42	2.42	2.23	4.65
2013	2.29	2.29	2.58	4.87	2.31	2.31	2.44	4.75
2014	2.54	2.54	2.58	5.12	2.56	2.56	2.44	5.00
2015	2.60	2.60	2.87	5.47	2.61	2.61	2.45	5.06
2016	2.60	2.60	2.87	5.47	2.61	2.61	2.36	4.97
2017	2.60	2.60	2.87	5.47	2.61	2.61	2.36	4.97
2018	2.60	2.60	2.87	5.47	2.44	2.44	2.36	4.80
2019	2.43	2.43	2.58	5.01	2.43	2.43	2.36	4.79
2020	2.43	2.43	2.58	5.01	2.43	2.43	2.56	4.99

(1) Overlapping rates are those of local and Coffee County governments that apply to property owners within the City of Tullahoma.

(2) Overlapping rates are those of local and Franklin County governments that apply to property owners within the City of Tullahoma.

Property tax rates are per \$100 of assessed value.

Sources: Tennessee Comptroller of the Treasury, Division of Property Assessments, 2019 Property Tax Rates.

**CITY OF TULLAHOMA, TENNESSEE  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b><u>Taxpayer</u></b>	<b>2020</b> (for tax year 2019)			<b>2011</b> (for tax year 20087)		
	<b><u>Taxable Assessed Value</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Taxable Assessed Value</u></b>	<b><u>Taxable Assessed Value</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Taxable Assessed Value</u></b>
Tullahoma HMA, Inc.	\$ 9,460,400	1	2.33%	\$ 9,583,960	1	2.76%
Northgate Unlimited	4,699,640	2	1.16%	2,522,155	9	-
Centro NP Commerce Central	4,498,960	3	1.11%	4,444,360	4	1.28%
Forest Gallery, LLC	4,473,280	4	1.10%	4,730,120	3	1.36%
Tennova/Harton Regional Medical	4,347,040	5	1.07%	-	-	-
Ascend Federal Credit	4,043,960	6	0.99%	-	-	-
Lowes Home Center, Inc.	3,274,240	7	0.81%	3,497,120	5	1.01%
Goodrich/United Technology	2,677,480	8	0.66%	8,475,120	2	-
ADA Ferrell Garden II LP	2,500,520	9	0.61%	2,784,762	7	0.80%
Cherokee Square	2,386,440	10	0.59%	-	-	-
Northgate Retail Partners	-	-	-	2,368,240	10	0.68%
Bell South	-	-	-	3,212,532	6	0.93%
Harton Family Partners	-	-	-	2,680,960	8	0.77%
Total	<u>\$ 42,361,960</u>		<u>10.43%</u>	<u>\$ 44,299,329</u>		<u>9.59%</u>

Source: Tullahoma City Recorder

**CITY OF TULLAHOMA, TENNESSEE  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Tax Year	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2011	2010	\$ 8,756,655	\$ 8,562,514	97.78%	\$ 185,613	\$ 8,748,127	99.90%
2012	2011	8,782,720	8,349,786	95.07%	427,281	8,777,067	99.94%
2013	2012	8,871,714	8,479,360	95.58%	376,184	8,855,544	99.82%
2014	2013	9,981,425	9,433,864	94.51%	523,516	9,957,380	99.76%
2015	2014	10,271,041	9,833,739	95.74%	406,984	10,240,723	99.70%
2016	2015	10,320,976	9,952,370	96.43%	343,186	10,295,556	99.75%
2017	2016	10,383,215	10,008,040	96.39%	344,266	10,352,306	99.70%
2018	2017	10,516,632	10,178,020	96.78%	298,641	10,476,661	99.62%
2019	2018	10,516,025	10,166,247	96.67%	249,229	10,415,476	99.04%
2020	2019	10,794,702	10,383,647	96.19%	-	10,383,647	96.19%

Source: City of Tullahoma Finance Department

**CITY OF TULLAHOMA, TENNESSEE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Capital Leases	Notes from Direct Borrowings	Notes				
2011	\$ 43,498,000	\$ 548,000	\$ -	\$ 17,315,000	\$ 6,020,276	\$ 67,381,276	N/A	3,612	
2012	41,406,000	466,000	-	16,575,000	8,176,492	66,623,492	N/A	3,571	
2013	39,408,179	380,000	-	15,800,000	7,472,828	63,061,007	N/A	3,380	
2014	37,199,147	2,028,955	-	14,939,607	7,703,702	61,871,411	N/A	3,317	
2015	34,863,115	5,472,622	-	14,103,980	7,160,020	61,599,737	N/A	3,302	
2016	32,439,600	6,559,500	-	13,233,353	6,204,391	58,436,844	N/A	3,133	
2017*	30,004,175	6,163,000	-	-	-	36,167,175	N/A	1,939	
2018	27,460,750	5,896,000	-	-	-	33,356,750	N/A	1,788	
2019	24,864,706	7,502,665	-	-	-	32,367,371	N/A	1,735	
2020	22,172,662	9,713,267	-	-	-	31,885,929	N/A	1,608	

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

**CITY OF TULLAHOMA, TENNESSEE  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Net General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2011	43,498,000	19,628	43,478,372	0.04	2,340.19
2012	41,406,000	13,327	41,392,673	0.04	2,218.85
2013	39,408,179	54,844	39,353,335	0.03	2,109.53
2014	37,199,147	152,117	37,047,030	0.03	1,985.90
2015	34,863,115	235,905	34,627,210	0.03	1,856.19
2016	32,439,600	227,906	32,211,694	0.03	1,726.71
2017	30,004,175	268,979	29,735,196	0.03	1,593.95
2018	27,460,750	293,017	27,167,733	0.03	1,456.32
2019	24,864,706	318,338	24,546,368	0.03	1,238.09
2020	22,172,662	374,596	21,798,066	0.03	1,108.53



**CITY OF TULLAHOMA, TENNESSEE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2020**

<u><b>Governmental Unit</b></u>	<u><b>Debt Outstanding</b></u>	<u><b>Estimated Percentage Applicable <sup>(1)</sup></b></u>	<u><b>Estimated Share of Direct and Overlapping Debt</b></u>
<b>Debt repaid with property taxes:</b>			
Coffee County Bonds (exclude school debt)	\$ 18,680,689	35.85%	\$ 6,697,027
Franklin County Bonds (exclude school debt)	19,599,696	2.73%	<u>535,072</u>
Subtotal, overlapping debt			\$ 7,232,099
<b>City of Tullahoma direct debt</b>			<u>31,885,929</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 39,118,028</u></u>

(1) The percentage of overlapping debt is calculated by dividing the City of Tullahoma's assessed property values by the total of each county's assessments.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Tullahoma. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**CITY OF TULLAHOMA, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: There is no legal debt margin for the City of Tullahoma. Therefore, the calculation is not presented.

**CITY OF TULLAHOMA, TENNESSEE  
PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Primary Government							
Fiscal Year	Tullahoma Utilities Board Revenue Bonds						
	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2019	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2017**	-	-	-	-	-	-	0.00
2016	42,796,126	37,260,504	5,535,622	915,000	550,218	1,465,218	3.78
2015	43,830,565	38,393,305	5,437,260	875,000	588,912	1,463,912	3.71
2014	43,594,960	37,523,923	6,071,037	840,000	624,993	1,464,993	4.14
2013	42,396,018	36,460,690	5,935,328	805,000	658,583	1,463,583	4.06
2012	41,207,244	36,567,388	4,639,856	775,000	691,737	1,466,737	3.16
2011	40,982,582	36,141,123	4,841,459	740,000	723,557	1,463,557	3.31
Component Unit							
Fiscal Year	Tullahoma Utilities Authority Revenue Bonds						
	Total Operating Revenues	Direct* Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2019	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2017**	43,830,884	37,909,098	5,921,786	1,671,000	259,119	1,930,119	3
2016	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-

Notes

\* Net of depreciation and amortization

\*\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

**CITY OF TULLAHOMA, TENNESSEE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

<b>Calendar Year</b>	<b>(1) Population</b>	<b>Personal Income (in thousands)</b>	<b>(2) Per Capita Personal</b>	<b>(3) Median Age**</b>	<b>(4) School Enrollment</b>	<b>(5) Unemployment Rate</b>
2011	18,579	N/A	\$ 23,129	38.1	3,542	9.8%
2012	18,655	N/A	23,129	38.1	3,370	7.6%
2013	18,655	N/A	23,129	38.1	3,373	9.3%
2014	18,655	N/A	21,802	40.5	3,443	6.6%
2015	18,655	N/A	23,334	43.4	3,465	5.9%
2016	18,655	N/A	23,968	41.8	3,347	5.5%
2017	18,655	N/A	24,765	43.8	3,513	5.1%
2018	18,655	N/A	24,041	40.4	3,535	3.8%
2019	19,826	N/A	24,171	42.5	3,434	3.5%
2020	19,664	N/A	26,347	39.1	3,546	10.1%

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

\*The latest per capita personal income published was in 2011.

\*\*The latest median age available was taken from city.data.com last updated in 2012.

Sources:

- (1) Population - official census
- (2) Per capita income - U.S. Census
- (3) Median age - South Central Tennessee Development District
- (4) School enrollment - Tennessee Department of Education, Average Daily Membership Report
- (5) Unemployment Rate - Bureau of Labor Statistics

**CITY OF TULLAHOMA, TENNESSEE  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>2020</b>			<b>2011</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Harton Regional Medical Center	660	1	2.70%	550	1	2.30%
City of Tullahoma	358	2	1.46%	220	4	0.92%
TE Connectivity	350	3	1.43%	187	7	-
Cubic Transportation Systems	292	4	1.19%	-	-	-
JSP International	175	5	0.72%	140	9	-
Wisco Envelopes Co., Inv.	170	6	0.69%	188	6	0.78%
Schmiede Corporation	151	7	0.62%	154	8	0.64%
Sonoco Corporation	150	8	0.61%	-	-	-
Coca Cola Bottling Works	118	9	0.48%	-	-	-
Tennessee Apparel	86	10	0.35%	200	5	0.84%
United Tech/Goodrich	-	-	-	263	3	1.10%
Createc Corporation	-	-	-	104	10	0.43%
Ascend Federal Credit Union	-	-	-	295	2	1.23%
<b>Total</b>	<b>2,510</b>		<b>10.25%</b>	<b>2,301</b>		<b>8.24%</b>

Source: Middle Tennessee Industrial Development Association and Industrial Board of Coffee County.

**CITY OF TULLAHOMA, TENNESEE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017*	2018	2019	2020
<b>Governmental Activities:</b>										
Administrative	7	7	7	7	7	7	7	7	8	8
Finance	3	4	4	4	4	4	4	4	4	4
Planning	4	4	4	4	4	4	4	4	4	4
Building	2	2	2	2	2	2	2	2	2	2
Police:										
Personnel and officers	45	45	45	45	45	45	45	45	45	43
Fire:										
Firefighters and officers	38	38	38	38	38	38	38	38	38	34
Public Works	42	42	42	42	44	44	44	44	44	45
Parks and recreation	14	14	14	14	39	40	40	40	44	51
Education	502	492	492	489	495	528	537	458	522	492
<b>Business-type Activities:</b>										
Tullahoma Utilities Board	79	79	80	81	80	81	0	-	-	-
<b>Total</b>	<u>736</u>	<u>727</u>	<u>728</u>	<u>726</u>	<u>758</u>	<u>793</u>	<u>721</u>	<u>642</u>	<u>711</u>	<u>683</u>

Note:

\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

Source: Various city departments.

**CITY OF TULLAHOMA, TENNESSEE  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<u><b>Function/Program</b></u>	<b>Fiscal year ended June 30,</b>									
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Police:										
Physical arrests	1,699	1,236	1,193	1,314	1,214	1,606	1,554	1,638	1,489	1,513
Traffic violations	2,992	4,247	4,193	4,531	4,479	4,672	5,103	5,033	4,254	2,912
Fire:										
Emergency response	600	536	699	1,018	1,180	1,300	1,292	1,461	1,760	1,705
Inspections	750	649	295	652	669	670	765	683	852	489
Business-type activities:										
Average number of customers:										
Power System	10,359	10,376	10,396	11,045	10,586	10,675	-	-	-	-
Water System	9,540	9,597	9,637	9,740	9,824	9,880	-	-	-	-
Wastewater System	7,335	7,390	7,415	7,499	7,569	7,614	-	-	-	-
Fiber Optics System	2,565	2,852	3,131	3,247	3,379	3,488	-	-	-	-

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

Source: Various city departments.

**CITY OF TULLAHOMA, TENNESSEE**  
**CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal year ended June 30,									
<b><u>Function</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017*</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works:										
Streets (miles)	330	330	330	330	330	330	330	330	330	330
Parks and recreation:										
Parks	8	8	8	8	8	8	8	8	8	8
Acreage	590	590	590	590	590	590	590	590	590	590
Community centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer fields	11	11	11	11	11	11	11	11	11	11
Baseball fields	6	6	6	6	6	6	6	6	6	6
Softball fields	4	4	4	4	4	4	4	4	4	4
Business-type activities:										
Tullahoma Utilities Board:										
Electric:										
Streetlights	2,854	2,882	2,886	2,886	2,912	2,905	0	-	-	-
Water:										
Water mains (miles)	260	260	270	270	270	270	0	-	-	-
Fire hydrants	1,024	1,024	1,093	1,093	1,093	1,093	0	-	-	-
Storage capacity (thousand gallons)	4,000	4,000	4,000	4,000	4,000	4,000	0	-	-	-
Wastewater:										
Sanitary sewers (miles)	160	160	200	200	200	200	0	-	-	-
Storm sewers (miles)	7	7	7	7	7	7	0	-	-	-
Daily treatment capacity (thousand gallons)	12,600	12,600	12,600	12,600	12,600	12,600	0	-	-	-

Note: Certain amounts are not available due to (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent in a manner with current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

\* In 2017 the City transferred ownership of Tullahoma Utility Board (Business-type activities) to the Tullahoma Utilities Authority as a separate legal entity (Component Unit) with general obligation debt covenants still qualifying them as a component agency. These debts were refinanced to revenue only during the fiscal year 2017.

Source: Various city departments.



**CITY OF TULLAHOMA, TENNESSEE  
SCHEDULE OF PUBLIC OFFICIALS AND BONDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Official</u>	<u>Name</u>	<u>Bond amount</u>
City Administrator	Jennifer Moody	\$ 100,000
Director of Finance	Susan Wilson	\$ 100,000
City Recorder	Rosemary Golden	\$ 100,000
Accounting Manager	Donna Graham	\$ 100,000
Purchasing Officer	Paige Jackson	\$ 100,000
Payroll Administrator	Whitney White	\$ 100,000
Police Chief	Jason Williams	\$ 10,000

**Tullahoma Board of Education**

All Board Members	Each occurrence with \$2,500 Retention	\$ 1,000,000
Director of Schools, before 11/1/2019	John C. Carver	\$ 844,541
Director of Schools, 11/1/2019 to 6/1/2020	Scott Hargrove	
Director of Schools, since 6/1/2020	Dr. Catherine Stephens	\$ 844,541
All Employees:		
Employee Wright Specialty	Each and every loss with \$500 deductible	\$ 150,000

## **REPORTS ON COMPLIANCE AND INTERNAL CONTROLS**

**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***

Honorable Mayor and Board of Aldermen  
City of Tullahoma, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tullahoma, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Tullahoma, Tennessee's basic financial statements and have issued our report thereon dated March 31, 2021.

**Internal Control over Financial Reporting**

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

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 the City of Tullahoma, 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

*Honchole Antina PLLC*

Tullahoma, Tennessee  
March 31, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Aldermen  
City of Tullahoma, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the City of Tullahoma, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Tullahoma, Tennessee's major federal programs for the year ended June 30, 2020. The City of Tullahoma, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Tullahoma, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tullahoma, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Tullahoma, Tennessee's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Tullahoma, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control over Compliance

Management of the City of Tullahoma, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tullahoma, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tullahoma, Tennessee's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Housholder Cirtma PLLC*

Tullahoma, Tennessee  
March 31, 2021

**CITY OF TULLAHOMA, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**JUNE 30, 2020**

**I. Summary of Auditor's Results**

Financial Statements

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
- Material weaknesses identified? \_\_\_\_ yes X no
  - Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_ yes X none reported
3. Noncompliance material to financial statements noted? \_\_\_\_ yes X no

Federal Awards

4. Internal control over major programs:
- Material weaknesses identified? \_\_\_\_ yes X no
  - Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_ yes X none reported
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed under the Uniform Guidance? \_\_\_\_ yes X no

7. Identification of major programs:

**Special Education Cluster (IDEA):**

84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

8. The threshold for distinguishing Type A programs was \$750,000.
9. City of Tullahoma does qualify to be a low risk auditee.

**II. Findings related to the Financial Statements reported in accordance with *Government Auditing Standards*:**

None reported.

**III. Findings related to Federal Awards and Questioned Costs**

None reported.

**CITY OF TULLAHOMA, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Statement Findings

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status/ Current Year Finding Number</b>
2019-001	Tullahoma Board of Education - Preparation of Financial Statements and Related Disclosures (original finding #2009-002)	Corrected
2019-002	Tullahoma Board of Education - Audit Adjustments (original finding #2009-003)	Corrected
2019-003	Tullahoma Board of Education - Excess Expenditures (original finding #2017-003)	Corrected