

TENNESSEE MUNICIPAL LEAGUE
Nashville, Tennessee
FINANCIAL STATEMENTS AND OTHER INFORMATION
June 30, 2023 and 2022



TENNESSEE MUNICIPAL LEAGUE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Senior Management
Tennessee Municipal League
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the basic financial statements of the Tennessee Municipal League (the "League"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Municipal League as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tennessee Municipal League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tennessee Municipal League's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tennessee Municipal League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tennessee Municipal League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 and the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, the schedule of employer contributions based on participation in the public employee pension plan of TCRS and the schedule of changes in OPEB liability and related ratios on pages 27 - 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplementary information on pages 30-31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the other information section as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of the Tennessee Municipal League'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 Tennessee Municipal League'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 the Tennessee Municipal League's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants

Knoxville, Tennessee

October 20, 2023

TENNESSEE MUNICIPAL LEAGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2023

INTRODUCTION

Our discussion and analysis of the Tennessee Municipal League's financial performance provides a narrative overview of the League's financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the audited financial statements and other information included in this report.

The Tennessee Municipal League (TML or League) is a voluntary, cooperative organization established by the cities and towns of the State for mutual assistance and improvement. In return for membership fees paid by members, the League's primary function is to lobby the Tennessee General Assembly on behalf of city governments.

2023 FISCAL YEAR HIGHLIGHTS

- TML's combined assets and deferred outflows exceeded combined liabilities and deferred inflows by \$6,175,564.
- Net position increased by \$427,708 in the fiscal year ending June 30, 2023. Membership activities increased net position \$37,913 while the building operations increased net position \$389,795 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The audited financial statements of the Tennessee Municipal League (a proprietary fund) report information about the League as a whole using accounting methods similar to those used by private-sector companies. The financial statements are presented on the full accrual basis of accounting and include the Statements of Net Position, the Statements of Revenues, Expenses, Changes in Net Position, the Statements of Cash Flows and Notes to Financial Statements.

The Statements of Net Position include all the League's assets and liabilities, including capital assets, and deferred outflows and inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the League's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statements of Revenues, Expenses and Changes in Net Position summarize the League's revenues and expenses for each year, including depreciation expense on capital assets. All of the revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid. The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. These statements present cash receipts and cash disbursements information, without consideration of the earnings event or when an obligation arises. These statements also report the sources and uses of cash and cash equivalents during the reporting period and reconcile cash flows to operating income.

The financial statements report the League's net position and how it has changed. Net position, the difference between the League's assets and deferred outflows and liabilities and deferred inflows, is one way to measure the League's financial health or position.

- Over time, increases or decreases in the League's net position is an indicator of whether its financial position is improving or deteriorating; however, as a non-profit organization, fluctuations in net position from year to year could also be an indication that the League is supporting Tennessee cities and towns for the general improvement and advancement of every branch of municipal administration in Tennessee.
- To assess the League's overall health, you need to consider additional non-financial factors such as changes in the League's membership fees, timing and location of the Tennessee Municipal League's Annual Conference and market conditions.

The Tennessee Municipal League has two reporting segments consisting of (1) financial operations related to its membership activities and (2) office building leasing activities.

TENNESSEE MUNICIPAL LEAGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)
For the Year Ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 - 26 of this report.

ECONOMIC FACTORS

TML has seen an impact of economic conditions upon various revenue sources. In 2021, the League cancelled the TML Legislative and Annual Conferences due to the COVID-19 pandemic. The Conference was held in 2022 and 2023. Additionally, TML receives sponsorship fees from affiliated organizations; therefore, the economic outlook for these affiliated organizations directly affects that of the League.

FINANCIAL ANALYSIS OF THE LEAGUE AS A WHOLE

Net position is an indicator of the fiscal health of the League. Assets and deferred outflows exceeded liabilities and deferred inflows by \$6.18 million as of June 30, 2023. The largest component of net position is unrestricted net position of \$3.81 million. It comprises 62% of the total net position.

Following is a summary of the Statements of Net Position:

Table 1
Condensed Statements of Net Position
as of June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$ 4,705,476	\$ 4,086,090	\$ 3,905,431
Noncurrent Assets	<u>4,664,950</u>	<u>5,370,972</u>	<u>4,422,843</u>
Total Assets	9,370,426	9,457,062	8,328,274
Deferred Outflows of Resources	<u>907,503</u>	<u>935,465</u>	<u>187,285</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 10,277,929</u>	<u>\$ 10,392,527</u>	<u>\$ 8,515,559</u>
Current Liabilities	\$ 275,503	\$ 359,755	\$ 296,308
Noncurrent Liabilities	<u>652,923</u>	<u>232,697</u>	<u>31,003</u>
Total Liabilities	<u>928,426</u>	<u>592,452</u>	<u>327,311</u>
Deferred Inflows of Resources	<u>3,173,939</u>	<u>4,052,219</u>	<u>2,440,477</u>
Net Investment in Capital Assets	2,370,401	2,509,810	2,526,967
Restricted for Pension	0	0	201,133
Unrestricted Net Position	<u>3,805,163</u>	<u>3,238,046</u>	<u>3,019,671</u>
Total Net Position	<u>6,175,564</u>	<u>5,747,856</u>	<u>5,747,771</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 10,277,929</u>	<u>\$ 10,392,527</u>	<u>\$ 8,515,559</u>

TENNESSEE MUNICIPAL LEAGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)
For the Year Ended June 30, 2023

The following table shows a summary of the Revenues, Expenses and Changes in Net Position for the League for the current and prior fiscal years.

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 3,828,084	\$ 3,812,475	\$ 3,411,114
Operating Expenses	<u>3,597,659</u>	<u>3,829,793</u>	<u>3,507,135</u>
Income (Loss) from Operations	<u>230,425</u>	<u>(17,318)</u>	<u>(96,021)</u>
Net Non-operating Revenues (Expenses)	<u>197,283</u>	<u>17,403</u>	<u>266,880</u>
Change in Net Position	427,708	85	170,859
Beginning Net Position	<u>5,747,856</u>	<u>5,747,771</u>	<u>5,576,912</u>
Ending Net Position	<u>\$ 6,175,564</u>	<u>\$ 5,747,856</u>	<u>\$ 5,747,771</u>

Total operating activities generated revenues during fiscal year 2023 of \$3.83 million while operating expenses totaled \$3.60 million. Net non-operating revenues for 2023 were \$197,283. The resulting increase in net position totaled \$427,708. Total operating activities generated revenues during fiscal year 2022 of \$3.81 million while operating expenses totaled \$3.83 million. Net non-operating revenues for 2022 were \$17,403. The resulting increase in net position totaled \$85.

Operating revenues increased by approximately \$16,000 from fiscal year 2022 to fiscal year 2023. Total sponsorship fees received from the Public Entity Partners and the Tennessee Municipal Bond Fund totaled approximately \$1,315,800 during fiscal year 2023 compared to \$1,520,000 during fiscal year 2022 or a 13.43% decrease. Operating revenues increased by approximately \$401,000 from fiscal year 2021 to fiscal year 2022. Total sponsorship fees received from the Public Entity Partners and the Tennessee Municipal Bond Fund totaled approximately \$1,520,000 during fiscal year 2022 compared to \$1,568,000 during fiscal year 2021 or a 3.06% decrease.

The membership dues are derived through calculations that take into consideration each city's population. This amount increased approximately \$184,087 or 17.4% from fiscal year 2022 to fiscal year 2023 due to 2% increase in fees as well as an increase in associate participant fees. Dues increased approximately \$85,130 or 8.8% from fiscal year 2021 to fiscal year 2022 due to 2% increase in fees as well as an increase in associate participant fees.

Rental income is derived from the League's ownership of the building located at 226 Anne Dallas Dudley Boulevard in Nashville, Tennessee. Building operations are managed externally with services provided by the 511 Group. Rental income totaled \$913,551 during fiscal year 2023 compared to \$869,812 during fiscal year 2022 or a 5.0% increase.

The Tennessee Municipal League incurs overhead and contract expenses in the course of providing services to its members. Operating expenses decreased by approximately \$232,000 from fiscal year 2022 to fiscal year 2023 or a 6.1% decrease. Operating expenses increased by approximately \$323,000 from fiscal year 2021 to fiscal year 2022 or a 9.2% increase.

Due to market conditions, the League's investments experienced a net gain of \$48,843 during 2023 compared to a net loss of \$120,092 in 2022 and a net gain of \$181,184 in 2021.

TENNESSEE MUNICIPAL LEAGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Continued)
For the Year Ended June 30, 2023

CAPITAL ASSETS

At June 30, 2023, the League had \$2,370,401 invested in the building at 226 Anne Dallas Dudley Boulevard, Nashville, Tennessee, leasehold improvements, and operating equipment. Capital assets net of accumulated depreciation decreased (including additions, deletions and depreciation) \$139,409 during 2023.

Table 3
 Summary of Capital Assets
 as of June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 404,000	\$ 404,000	\$ 404,000
Building and Leasehold Improvements	4,271,395	4,271,395	4,125,738
Operating Equipment	1,007,843	1,003,190	542,023
Construction In Progress	<u>0</u>	<u>0</u>	<u>473,233</u>
Total Capital Assets	5,683,238	5,678,585	5,544,994
Less Accumulated Depreciation	<u>(3,312,837)</u>	<u>(3,168,775)</u>	<u>(3,018,027)</u>
Net Capital Assets	<u>\$ 2,370,401</u>	<u>\$ 2,509,810</u>	<u>\$ 2,526,967</u>

BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the year for the League. The Board of Directors ratifies the annual budget submitted by the League. All budget variances are reviewed on a monthly basis by management. It is management’s policy to not alter the original budget during the year; therefore, actual results can vary significantly from the estimates at the beginning of the year. Over the course of the 2023 fiscal year, the League’s revenues were slightly less than budgeted amounts and expenditures were slightly less than budgeted amounts.

NEXT YEAR’S BUDGET

The revenue estimates for next year were projected based on the League’s membership and sponsorship affiliations. Other revenue sources were budgeted based on management’s reasonable expectations. Using this revenue estimate as a guide, the budget was prepared by estimating the operating needs of the League.

Total revenue for the membership activities is budgeted to be \$3.13 million and total expenditures are budgeted to be \$3.13 million for the fiscal year ending June 30, 2024. Management doesn’t expect results of building operations to change significantly from the 2023 fiscal year amounts.

No other facts, decisions, or conditions are currently known which would have a significant impact on the financial condition and results of operations of the League during the fiscal year ending June 30, 2023.

REQUESTS FOR INFORMATION

This report is intended to provide a summary of the financial condition of the Tennessee Municipal League. Questions or requests for additional information should be addressed to:

Director of Finance
 Tennessee Municipal League
 226 Anne Dallas Dudley Blvd. Suite 710
 Nashville, TN 37219

TENNESSEE MUNICIPAL LEAGUE

STATEMENTS OF NET POSITION

	As of June 30,	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$	2,811,559	\$ 2,361,953
Certificates of Deposit		75,000	0
Investments		913,312	885,932
Accounts Receivable		35,128	5,175
Lease Receivable - Short-Term		814,704	780,428
Prepaid Expenses		<u>55,773</u>	<u>52,602</u>
Total Current Assets		<u>4,705,476</u>	<u>4,086,090</u>
NONCURRENT ASSETS			
Lease Receivable - Long-Term		2,294,549	2,861,162
Capital Assets, Net		<u>2,370,401</u>	<u>2,509,810</u>
Total Noncurrent Assets		<u>4,664,950</u>	<u>5,370,972</u>
TOTAL ASSETS		<u>9,370,426</u>	<u>9,457,062</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension		904,223	931,378
Deferred Outflows - Other Postemployment Benefits (OPEB)		<u>3,280</u>	<u>4,087</u>
Total Deferred Outflows of Resources		<u>907,503</u>	<u>935,465</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u><u>10,277,929</u></u>	\$ <u><u>10,392,527</u></u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$	8,490	\$ 83,887
Accrued Expenses and Other Liabilities		<u>267,013</u>	<u>275,868</u>
Total Current Liabilities		<u>275,503</u>	<u>359,755</u>
NONCURRENT LIABILITIES			
Net Pension Liability		637,988	205,111
Total OPEB Liability		<u>14,935</u>	<u>27,586</u>
Total Noncurrent Liabilities		<u>652,923</u>	<u>232,697</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Rental Revenue		2,893,402	3,468,146
Deferred Inflows - Pension		64,549	429,380
Deferred Inflows - Conference Revenues		188,886	136,358
Deferred Inflows - OPEB		<u>27,102</u>	<u>18,335</u>
Total Deferred Inflows of Resources		<u>3,173,939</u>	<u>4,052,219</u>
NET POSITION			
Net Investment in Capital Assets		2,370,401	2,509,810
Unrestricted		<u>3,805,163</u>	<u>3,238,046</u>
Total Net Position		<u>6,175,564</u>	<u>5,747,856</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$	<u><u>10,277,929</u></u>	\$ <u><u>10,392,527</u></u>

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

TENNESSEE MUNICIPAL LEAGUE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Years Ended June 30,	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Membership Dues	\$	1,240,600	\$ 1,056,513
Sponsorship Fees		1,315,800	1,520,000
Conference Registration and Sponsor Fees		346,354	324,319
Rental Revenue		913,551	869,812
Other Revenue		11,779	41,831
Total Operating Revenues		<u>3,828,084</u>	<u>3,812,475</u>
OPERATING EXPENSES			
Compensation and Contract Labor		1,561,228	1,775,634
Employee Payroll Taxes and Benefits		535,281	430,599
Building Operations and Maintenance		654,465	753,614
Legislative Expenses		148,885	148,879
Conference Expenses		144,890	169,354
Depreciation		144,062	162,814
Professional Services		128,250	142,700
Newspaper and Product Service Guide Expenses		0	20,758
Printing and Postage		6,405	25,463
Other Operating Expenses		274,193	199,978
Total Operating Expenses		<u>3,597,659</u>	<u>3,829,793</u>
INCOME (LOSS) FROM OPERATIONS		<u>230,425</u>	<u>(17,318)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Dividend Income, Net		148,440	137,495
Gain (Loss) on Investments, Net		48,843	(120,092)
Total Nonoperating Revenues (Expenses), Net		<u>197,283</u>	<u>17,403</u>
CHANGE IN NET POSITION		427,708	85
NET POSITION - BEGINNING OF YEAR		<u>5,747,856</u>	<u>5,747,771</u>
NET POSITION - END OF YEAR	\$	<u><u>6,175,564</u></u>	\$ <u><u>5,747,856</u></u>

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

TENNESSEE MUNICIPAL LEAGUE

STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers		\$ 2,937,108	\$ 3,050,215
Cash Paid to or for the Benefit of Employees		(2,012,387)	(2,209,703)
Cash Paid to Suppliers		<u>(1,436,508)</u>	<u>(1,359,128)</u>
Net Cash Provided by (Used in) Operating Activities		<u>(511,787)</u>	<u>(518,616)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Property and Equipment		(4,653)	(164,061)
Principal Received on Lease Receivable		803,001	754,855
Interest Received on Lease Receivable		116,631	110,349
Variable Lease Payments and Termination Fees Received		<u>68,142</u>	<u>81,858</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities		<u>983,121</u>	<u>783,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of Certificates of Deposit		(75,000)	0
Purchases of Investments		(128,539)	(79,367)
Proceeds from Sales of Investments		150,002	102,370
Interest and Dividends Received		<u>31,809</u>	<u>27,146</u>
Net Cash Provided by (Used in) Investing Activities		<u>(21,728)</u>	<u>50,149</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		449,606	314,534
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>2,361,953</u>	<u>2,047,419</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 2,811,559</u>	<u>\$ 2,361,953</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Income (Loss) from Operations		\$ <u>230,425</u>	\$ <u>(17,318)</u>
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities:			
Depreciation		144,062	162,814
Less Variable Lease Payment Revenue		(68,142)	(81,858)
(Increase) Decrease in Assets:			
Accounts Receivable		(29,953)	(4,410)
Prepaid Expenses		(3,171)	20,763
Net Pension Asset		0	201,133
Deferred Outflows - Pension		27,155	(748,983)
Deferred Outflows - OPEB		807	803
Increase (Decrease) in Liabilities:			
Accounts Payable		(75,397)	42,376
Accrued Expenses and Other Liabilities		(8,855)	39,475
Net Pension Liability		432,877	205,111
Total OPEB Liability		(12,651)	(3,417)
Deferred Inflows - Rental Revenue		(845,408)	(787,954)
Deferred Inflows - Pension		(364,831)	338,341
Deferred Inflows - Conference Revenues		52,528	111,962
Deferred Inflows - OPEB		<u>8,767</u>	<u>2,546</u>
Total Adjustments		<u>(742,212)</u>	<u>(501,298)</u>
Net Cash Provided by (Used in) Operating Activities		<u>\$ (511,787)</u>	<u>\$ (518,616)</u>
Supplementary Schedule of Noncash Activities:			
Gain (Loss) on Investments, Net		\$ 48,843	\$ (120,092)
New Leases (Lessor)		270,664	148,425
Remeasurement of Leases (Lessor)		0	1,798,422

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

TENNESSEE MUNICIPAL LEAGUE
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - ORGANIZATION

The Tennessee Municipal League (the "League") was originally formed as a voluntary association of cities and towns in Tennessee and was later incorporated in 1992 as a Tennessee nonprofit corporation. The League's purpose is to act as an agency for the cooperation of municipalities and other units of local government for the general improvement and advancement of every branch of municipal administration in Tennessee. The League has financial operations related to its membership activities and office building leasing activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements of the Tennessee Municipal League have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The League is considered a governmental entity for purposes of applying accounting and financial reporting standards since its officers and Board of Directors are elected annually by officials of municipalities and other units of local government in Tennessee.

GAAP establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." These are available for current use by the League.

Fund Structure and Basis of Accounting - The accounts of the Tennessee Municipal League are organized on the basis of a proprietary fund type and are considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, and revenues and expenses, as appropriate. Government resources are allocated to and accounted for in the fund based on the purposes for which they are to be spent and the means by which spending activities are controlled. The fund, in the financial statements of this report, is as follows:

PROPRIETARY FUND TYPE:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary fund is accounted for using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the League are membership dues, sponsorship fees, and rental income. Operating expenses for the League include salaries, employee payroll taxes and benefits, legislative expenses, depreciation, and various general and administrative expenses. 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 League's policy to use restricted resources first, then unrestricted resources as they are needed.

Budget - Formal budgetary integration is employed as a management control device during the year for the fund. This budget is prepared on a basis consistent with GAAP.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the League considers all highly liquid cash accounts available for current use with an initial maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair value (see Notes 4 and 5). Any unrealized gain or loss has been reflected in gain or loss on investments in the statements of revenues, expenses and changes in net position.

Leases - For leases in which the League is a lessor, the League recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the amount of the initial measurement of the lease receivable, plus any payments received at or before the commencement of the lease term that relate to future periods. The League recognizes interest revenue on the lease receivable and rental revenue from the deferred inflows of resources on a straight-line basis over the term of the lease.

Capital Assets - Acquisitions are recorded at cost and include only expenses for new property and equipment and those which substantially increase the useful lives of the existing assets. The League does not capitalize individual assets with costs less than \$1,000. Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any profit or loss on disposition is credited or charged to income. An office building and equipment are depreciated over estimated useful lives ranging from 3 to 50 years using the straight-line method. Leasehold improvements are amortized over the lesser of the lease terms or estimated useful lives.

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 Tennessee Municipal League's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Tennessee Municipal League's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) - For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the Tennessee Municipal League's participation in the Local Government OPEB Plan (LGOP), and additions to/deductions from the Tennessee Municipal League's fiduciary net position have been determined on the same basis as they are reported by the LGOP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Tax Status - The financial statements do not include provisions for state or federal income taxes because the League operates as a tax-exempt organization.

Adoption of New Accounting Standards - The League has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). It (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement's effect on the financial statements was insignificant.

Evaluation of Subsequent Events - Management has evaluated subsequent events through October 20, 2023, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Custodial Credit Risk - Deposits - For cash and cash equivalents and certificates of deposit, this is the risk that, in the event of a bank failure, the League's deposits may not be available, or the League will not be able to recover collateral securities in the possession of an outside party. The League's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held.

As of June 30, 2023, the book balances of the League's "Cash and Cash Equivalents" and "Certificates of Deposit" were \$2,886,559 and the bank balances were \$2,917,261. Of the bank balances, \$895,961 was covered by FDIC insurance and \$2,007,670 was covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department. Also included in the bank balances is \$13,631 invested in a money fund that typically invests in securities backed by the full faith and credit of the U.S. government and repurchase agreements backed by such investments.

NOTE 4 - INVESTMENTS

The League's investments consist of the following as of June 30:

	2023		2022	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Mutual Funds - Equity:				
Ishares TR MSCI EAFE Fund	910	\$ 66,101	910	\$ 56,866
Ishares Core MSCI EAFE	313	21,128	313	18,420
Ishares TRUST S&P 500	365	162,603	359	136,019
Ishares Russell 2000	404	75,657	404	68,421
Vanguard Real Estate Index Fund	455	38,020	455	41,455
Invesco S&P 500 Index	957	143,247	935	125,507
Treasury Bills				
US Treasury Bill 1/15/24	130,000	126,425	0	0
Corporate Bonds:				
The ADT Corp	75,000	0	75,000	73,500
Ball Corporation	20,000	19,849	20,000	19,774
CDK Global	45,000	31,725	45,000	44,269
Hillenbrand	45,000	44,381	45,000	45,900
Murphy Oil USA	45,000	43,763	45,000	44,100
Newell Brands	0	0	75,000	74,344
Teleflex	25,000	23,563	25,000	23,000
United Airlines	45,000	44,100	45,000	41,794
T-Mobile USA	75,000	72,750	75,000	72,563
		<u>\$ 913,312</u>		<u>\$ 885,932</u>

NOTE 5 - FAIR VALUE DISCLOSURES

GASB Statement 72 *Fair Value Measurements and Disclosures* (GASB 72) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB 72 also established a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs are unobservable inputs for the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

NOTE 5 - FAIR VALUE DISCLOSURES

A description of valuation methodologies used for assets recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets Recorded at Estimated Fair Value on a Recurring Basis

Mutual Funds: Valued at daily closing price as reported by the fund. Mutual funds held by the League are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the League are deemed to be actively traded.

U.S. Treasuries: Actively traded individual debt securities are valued at the quoted market prices for identical assets in active markets. For non-actively traded individual debt securities are valued using pricing models that maximize the use of observable inputs or similar securities which includes the yield currently available on comparable securities of issuers with similar maturities and credit ratings.

Corporate Bonds: Fair value measurement for corporate bonds for which quoted prices are not available in an active market for identical assets is based upon quoted prices for like or similar securities, utilizing Level 2 inputs. For these securities, the Program obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities' terms and conditions, among other things.

	Carrying Amount in the Balance Sheet	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>As of June 30, 2023</u>				
Mutual Funds - Equity	\$ 506,756	\$ 506,756	\$ 0	\$ 0
U.S Treasury Bills	126,425	126,425	0	0
Corporate Bonds	280,131	0	280,131	0
Total Investments at Fair Value	<u>\$ 913,312</u>	<u>\$ 633,181</u>	<u>\$ 280,131</u>	<u>\$ 0</u>
<u>As of June 30, 2022</u>				
Mutual Funds - Equity	\$ 446,688	\$ 446,688	\$ 0	\$ 0
Corporate Bonds	439,244	0	439,244	0
Total Investments at Fair Value	<u>\$ 885,932</u>	<u>\$ 446,688</u>	<u>\$ 439,244</u>	<u>\$ 0</u>

NOTE 6 - LEASE RECEIVABLE

The League leases office space to tenants under non-cancellable operating leases with terms ranging from three to ten years. These leases were recorded using the League's incremental borrowing rate at the commencement of the leases, ranging from 3.25% to 8.00%. Certain of the leases contain a provision for the tenant to reimburse the League for the cost of common area maintenance as determined on an annual basis, which are considered variable lease payments and are not considered in the measurement of the lease receivable. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the year ended June 30, 2023 was \$1,030,182 (\$980,162 for the year ended June 30, 2022). This total includes \$68,142 for the year ended June 30, 2023 (\$81,858 for the year ended June 30, 2022) of variable and other payments not previously included in the measurement of the lease receivable, including termination penalties. Leases with the University of Tennessee comprised approximately 25% of lease payments for 2023 (29% for 2022) and leases with the Tennessee District Attorney General Conference comprised approximately 39% for 2023 (20% for 2022).

NOTE 6 - LEASE RECEIVABLE (Continued)

Future payments that are included in the measurement of the lease receivable at June 30, 2023 are presented below for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 814,704	\$ 98,569
2025	508,386	72,948
2026	441,626	54,560
2027	405,944	39,289
2028	430,758	24,397
2029 - 2030	<u>507,835</u>	<u>10,394</u>
	<u>\$ 3,109,253</u>	<u>\$ 300,157</u>

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	<u>Balances July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2023</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 404,000	\$ 0	\$ 0	\$ 404,000
Total Capital Assets, Not Being Depreciated	<u>404,000</u>	<u>0</u>	<u>0</u>	<u>404,000</u>
Capital Assets, Being Depreciated:				
Building and Leasehold Improvements	4,271,395	0	0	4,271,395
Operating Equipment	<u>1,003,190</u>	<u>4,653</u>	<u>0</u>	<u>1,007,843</u>
Total Capital Assets, Being Depreciated	<u>5,274,585</u>	<u>4,653</u>	<u>0</u>	<u>5,279,238</u>
Less Accumulated Depreciation:				
Building and Leasehold Improvements	2,817,117	94,257	0	2,911,374
Operating Equipment	<u>351,658</u>	<u>49,805</u>	<u>0</u>	<u>401,463</u>
Total Accumulated Depreciation	<u>3,168,775</u>	<u>144,062</u>	<u>0</u>	<u>3,312,837</u>
Total Capital Assets, Being Depreciated, Net	<u>2,105,810</u>	<u>(139,409)</u>	<u>0</u>	<u>1,966,401</u>
Capital Assets, Net	<u>\$ 2,509,810</u>	<u>\$ (139,409)</u>	<u>\$ 0</u>	<u>\$ 2,370,401</u>

NOTE 7 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balances July 1, 2021	Increases	Decreases	Balances June 30, 2022
Capital Assets, Not Being Depreciated:				
Land	\$ 404,000	\$ 0	\$ 0	\$ 404,000
Construction in Progress	473,233	0	473,233	0
Total Capital Assets, Not Being Depreciated	<u>877,233</u>	<u>0</u>	<u>473,233</u>	<u>404,000</u>
Capital Assets, Being Depreciated:				
Building and Leasehold Improvements	4,125,738	145,657	0	4,271,395
Operating Equipment	542,023	473,233	12,066	1,003,190
Total Capital Assets, Being Depreciated	<u>4,667,761</u>	<u>618,890</u>	<u>12,066</u>	<u>5,274,585</u>
Less Accumulated Depreciation:				
Building and Leasehold Improvements	2,727,275	89,842	0	2,817,117
Operating Equipment	290,752	72,972	12,066	351,658
Total Accumulated Depreciation	<u>3,018,027</u>	<u>162,814</u>	<u>12,066</u>	<u>3,168,775</u>
Total Capital Assets, Being Depreciated, Net	<u>1,649,734</u>	<u>456,076</u>	<u>0</u>	<u>2,105,810</u>
Capital Assets, Net	<u>\$ 2,526,967</u>	<u>\$ 456,076</u>	<u>\$ 473,233</u>	<u>\$ 2,509,810</u>

NOTE 8 - RETIREMENT PLANS

Defined Contribution Pension Plan

Certain of the employees are participants in a defined contribution retirement plan with the Teachers Insurance and Annuity Association-College Retirement Equities Fund (“TIAA-CREF”). The League contributes 10% of eligible employees’ salaries to the plan. The League’s contributions for each employee are fully vested immediately upon hire date. An employee may contribute a portion of his or her salary, subject to Internal Revenue Service limitations. Retirement contributions by the League totaled \$23,340 and \$30,599, and employee contributions totaled \$23,340 and \$30,599 for the years ended June 30, 2023 and 2022, respectively.

General Information about the Defined Benefit Pension Plan

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

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

NOTE 8 - RETIREMENT PLANS (Continued)

General Information about the Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms - At the measurement dates of June 30, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Inactive Employees or Beneficiaries Currently Receiving Benefits	2	2
Inactive Employees Entitled to, but not yet Receiving Benefits	1	1
Active Employees	8	8
Total Employees	11	11

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Tennessee Municipal League has adopted a non-contributory retirement plan. The Tennessee Municipal League makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for the Tennessee Municipal League were \$126,473 based on a rate of 10.93% of covered payroll (\$81,655 based on a rate of 6.36% for the year ended June 30, 2022). By law, employer contributions are required to be paid. The TCRS may intercept Tennessee Municipal League's state shared taxes if required employer contributions are not remitted. The employer's Actuarial Determined Contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Tennessee Municipal League's net pension liability (asset) was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate net pension liability (asset) was determined by actuarial valuations as of those dates.

Actuarial Assumptions - The total pension liability as of June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.25% (2.25% in 2021)
Salary Increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	6.75%, net of pension plan investment expenses, including inflation (6.75% in 2021)

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

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTE 8 - RETIREMENT PLANS (Continued)

Net Pension Liability (Asset) (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, 2020 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 2.25%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Markets International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% (6.75% in 2021) based on a blending of the factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 6.75% (6.75% in 2021). 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 Tennessee Municipal League 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.

NOTE 8 - RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability (Asset)

The changes in net pension liability (asset) are shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<u>Balances at June 30, 2020</u>	\$ 2,343,169	\$ 2,544,302	\$ (201,133)
Changes for the Year			
Service Cost	54,981	0	54,981
Interest	171,398	0	171,398
Difference between Expected and Actual Experience	416,301	0	416,301
Changes in Assumptions	507,636	0	507,636
Contributions - Employer	0	86,213	(86,213)
Net Investment Income	0	658,596	(658,596)
Benefit Payments - Including Refunds of Employee Contributions	(68,075)	(68,075)	0
Administrative Expenses	0	(737)	737
Net Changes	<u>1,082,241</u>	<u>675,997</u>	<u>406,244</u>
<u>Balances at June 30, 2021</u>	\$ 3,425,410	\$ 3,220,299	\$ 205,111
Changes for the Year			
Service Cost	\$ 77,825	\$ 0	\$ 77,825
Interest	232,267	0	232,267
Difference between Expected and Actual Experience	81,288	0	81,288
Contributions - Employer	0	81,655	(81,655)
Net Investment Income	0	(122,362)	122,362
Benefit Payments - Including Refunds of Employee Contributions	(124,493)	(124,493)	0
Administrative Expenses	0	(790)	790
Net Changes	<u>266,887</u>	<u>(165,990)</u>	<u>432,877</u>
<u>Balances at June 30, 2022</u>	\$ 3,692,297	\$ 3,054,309	\$ 637,988

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of Tennessee Municipal League 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 or 1- percentage-point higher than the current rate:

<u>Net Pension Liability (Asset)</u>	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	2022	\$ <u>1,124,592</u>	\$ <u>637,988</u>
<u>Net Pension Liability (Asset)</u>	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
2021	\$ <u>659,075</u>	\$ <u>205,111</u>	\$ <u>177,532</u>

NOTE 8 - RETIREMENT PLANS (Continued)

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

Pension Expense - For the year ended June 30, 2023, Tennessee Municipal League recognized pension expense of \$221,674 (\$77,257 in 2022).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the years ended June 30, 2023 and 2022, Tennessee Municipal League reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
Differences Between Expected and Actual Experience	\$ 391,566	\$ 64,549
Net Difference Between Projected and Actual Earnings		
on Pension Plan Investments	7,553	0
Changes in Assumptions	378,631	0
Contributions Subsequent to the Measurement Date		
of June 30, 2022	<u>126,473</u>	<u>0</u>
Total	<u>\$ 904,223</u>	<u>\$ 64,549</u>
<u>2022</u>		
Differences Between Expected and Actual Experience	\$ 393,228	\$ 77,794
Net Difference Between Projected and Actual Earnings		
on Pension Plan Investments	0	351,586
Changes in Assumptions	456,495	0
Contributions Subsequent to the Measurement Date		
of June 30, 2021	<u>81,655</u>	<u>0</u>
Total	<u>\$ 931,378</u>	<u>\$ 429,380</u>

The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>For the Years ended June 30:</u>	
2024	\$ 130,623
2025	129,173
2026	110,510
2027	199,246
2028	132,038
Thereafter	<u>11,611</u>
Total	<u>\$ 713,201</u>

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

NOTE 8 - RETIREMENT PLANS (Continued)

Payable to the Pension Plan

At June 30, 2023 and 2022, the Tennessee Municipal League did not report a payable for any outstanding amount of employer contributions to the Plan required for the years ended June 30, 2023 and 2022 since all required contributions were paid prior to year-end.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description - Employees of the Tennessee Municipal League are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) 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 pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits Provided - The League offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, 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 League does not directly subsidize retiree insurance coverage and is only subject to the implicit subsidy. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms - At July 1, 2022 and 2021, the following employees of the Tennessee Municipal League were covered by the benefit terms of the LGOP:

	2022	2021
Inactive Employees or Beneficiaries Currently Receiving Benefits	0	0
Inactive Employees Entitled to, but not yet Receiving Benefits	0	0
Active Employees Eligible for Future Benefits	8	10
Active Employees Not Eligible for Future Benefits	1	1
Total Employees	<u>9</u>	<u>11</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2023, the League paid \$160 to the LGOP for OPEB benefits as they came due (\$129 for the year ended June 30, 2022).

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**Total OPEB Liability**

Actuarial Assumptions - The total OPEB liability in the June 30, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25% (2.25% in 2021)
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare Cost Trend Rates	8.37% for pre-65 in 2022, decreasing annually over a 7-year period, to an ultimate rate of 4.50%. 8.99% for post-65 in 2022, decreasing annually over a 8 year period to an ultimate rate of 4.50% (7.32% to ultimate rate of 4.50% in 2021).
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, 2022, valuations were the same as those employed in the July 1, 2021 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, 2016 - June 30, 2020. 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 for June 30, 2022 was 3.54% (2.16% for June 30, 2021). 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.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
<u>Balances at June 30, 2020</u>	\$ <u>31,003</u>
Changes for the Year	
Service Cost	2,357
Interest	736
Difference between Expected and Actual Experience	(56)
Change in Assumptions	(6,362)
Benefit Payments	<u>(92)</u>
Net Changes	<u>(3,417)</u>
<u>Balances at June 30, 2021</u>	\$ <u>27,586</u>
Changes for the Year	
Service Cost	\$ 2,056
Interest	639
Difference between Expected and Actual Experience	(7,792)
Change in Assumptions	(7,425)
Benefit Payments	<u>(129)</u>
Net Changes	<u>(12,651)</u>
<u>Balances at June 30, 2022</u>	\$ <u>14,935</u>

Changes in Assumptions - The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near-term health trend rates.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
2022	\$ <u>15,969</u>	\$ <u>14,935</u>	\$ <u>13,954</u>
<u>Total OPEB Liability</u>	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
2021	\$ <u>29,490</u>	\$ <u>27,586</u>	\$ <u>25,747</u>

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability (Continued)

	1% Decrease (7.37%/7.99% Decreasing to 3.50%)	Healthcare Cost Trend Rates (8.37%/8.99% Decreasing to 4.50%)	1% Increase (9.37%/9.99% Decreasing to 5.50%)
<u>Total OPEB Liability</u>			
2022	\$ <u>13,394</u>	\$ <u>14,935</u>	\$ <u>16,725</u>
	1% Decrease (6.36%/6.32% Decreasing to 3.50%)	Healthcare Cost Trend Rates (7.36%/7.32% Decreasing to 4.50%)	1% Increase (8.36%/8.32% Decreasing to 5.50%)
<u>Total OPEB Liability</u>			
2021	\$ <u>24,516</u>	\$ <u>27,586</u>	\$ <u>31,156</u>

OPEB Expense - For the fiscal year ended June 30, 2023, the League recognized negative OPEB expense of \$2,916 (expense of \$61 in 2022).

Deferred outflows of resources and deferred inflows of resources - For the years ended June 30, 2023 and 2022, the League reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2023</u>		
Differences Between Actual and Expected Experience	\$ 68	\$ 15,858
Changes in Assumptions	3,052	11,244
Benefit Payments Subsequent to the Measurement Date of June 30, 2022	<u>160</u>	<u>0</u>
Total	\$ <u>3,280</u>	\$ <u>27,102</u>
<u>2022</u>		
Differences Between Actual and Expected Experience	\$ 86	\$ 12,099
Changes in Assumptions	3,872	6,236
Benefit Payments Subsequent to the Measurement Date of June 30, 2021	<u>129</u>	<u>0</u>
Total	\$ <u>4,087</u>	\$ <u>18,335</u>

The amounts shown above for "Benefit payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>For the Years ended June 30:</u>	
2024	\$ (5,611)
2025	(5,611)
2026	(5,611)
2027	(4,265)
2028	(2,884)
Thereafter	<u>0</u>
Total	<u>\$ (23,982)</u>

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The League had contracted with Alliance Commercial Real Estate Services, Inc. to manage an office building owned by the League before the entity was dissolved in 2023. The League now contracts with the 511 Group, Inc. to manage the office building. The agreement provides for the 511 Group, Inc. to receive 5% of gross rents collected monthly in addition to \$1,500 in accounting fees each month as well as commissions of 2% for new and renewed leases, and 2% for construction supervision. The contract is on a month-to-month basis, and either party may terminate the agreement with proper notice.

The League retains an urban coordinator for a monthly fee of \$12,125; the services are provided on a month-to-month basis and either party may terminate the arrangement with proper notice.

NOTE 11 - RELATED ORGANIZATIONS

The League receives sponsorship fees from affiliated organizations. During the years ended June 30, 2023 and 2022, the League received sponsorship fees totaling \$1,300,000 and \$1,400,000, respectively, from the Tennessee Municipal League Public Entity Partners. The League also received sponsorship fees of \$15,800 from the Tennessee Municipal Bond Fund (TMBF) in 2023 (\$120,000 in 2022) that are negotiated annually. The League also leases office space to the TMBF pursuant to a lease agreement negotiated at rates that management believes approximate market rates (See Note 6).

NOTE 12 - RISK MANAGEMENT

The League is exposed to various risks of loss similar to a commercial business, such as general liability, errors and omissions, injuries to employees, and other situations. The League purchases commercial insurance for the significant risks of loss. Settled claims have not exceeded the insurance coverage limits in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

TENNESSEE MUNICIPAL LEAGUE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Nine Fiscal Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 77,825	\$ 54,981	\$ 55,236	\$ 50,522	\$ 47,030	\$ 44,381	\$ 44,981	\$ 41,026	\$ 36,576
Interest	232,267	171,398	165,045	150,274	138,510	127,076	111,851	100,028	88,591
Differences between Actual & Expected Experience	81,288	416,301	(92,530)	9,880	(15,112)	5,582	55,506	15,557	22,869
Change of Assumptions	0	507,636	0	0	0	48,103	0	0	0
Benefit Payments, Including Refunds of Employee Contributions	(124,493)	(68,075)	(11,656)	(11,656)	(11,656)	(11,656)	(5,828)	0	0
Net Change in Total Pension Liability	266,887	1,082,241	116,095	199,020	158,772	213,486	206,510	156,611	148,036
Total Pension Liability - Beginning	3,425,410	2,343,169	2,227,074	2,028,054	1,869,282	1,655,796	1,449,286	1,292,675	1,144,639
Total Pension Liability - Ending (a)	\$ 3,692,297	\$ 3,425,410	\$ 2,343,169	\$ 2,227,074	\$ 2,028,054	\$ 1,869,282	\$ 1,655,796	\$ 1,449,286	\$ 1,292,675
Plan Fiduciary Net Position									
Contributions - Employer	\$ 81,655	\$ 86,213	\$ 86,355	\$ 127,774	\$ 113,021	\$ 112,484	\$ 107,568	\$ 99,958	\$ 96,512
Net Investment Income	(122,362)	658,596	118,487	158,982	155,368	180,295	38,511	40,384	172,537
Benefit Payments, Including Refunds of Employee Contributions	(124,493)	(68,075)	(11,656)	(11,656)	(11,656)	(11,656)	(5,828)	0	0
Administrative Expense	(790)	(737)	(709)	(712)	(760)	(679)	(619)	(365)	(308)
Net Change in Plan Fiduciary Net Position	(165,990)	675,997	192,477	274,388	255,973	280,444	139,632	139,977	268,741
Plan Fiduciary Net Position - Beginning	3,220,299	2,544,302	2,351,825	2,077,437	1,821,464	1,541,020	1,401,388	1,261,411	992,670
Plan Fiduciary Net Position - Ending (b)	\$ 3,054,309	\$ 3,220,299	\$ 2,544,302	\$ 2,351,825	\$ 2,077,437	\$ 1,821,464	\$ 1,541,020	\$ 1,401,388	\$ 1,261,411
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 637,988	\$ 205,111	\$ (201,133)	\$ (124,751)	\$ (49,383)	\$ 47,818	\$ 114,776	\$ 47,898	\$ 31,264
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.72%	94.01%	108.58%	105.60%	102.43%	97.44%	93.07%	96.70%	97.58%
Covered Payroll	\$ 1,283,882	\$ 1,353,426	\$ 1,355,643	\$ 1,363,647	\$ 1,206,202	\$ 1,218,683	\$ 1,164,156	\$ 1,081,801	\$ 1,032,211
Net Pension Liability (Asset) as a Percentage of Covered Payroll	49.69%	15.15%	-14.84%	-9.15%	-4.09%	3.92%	9.86%	4.43%	3.03%

Notes to Schedule:

Changes of assumptions - In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, and mortality improvements.

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

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

See Independent Auditor's Report.

TENNESSEE MUNICIPAL LEAGUE
SCHEDULE OF EMPLOYER CONTRIBUTIONS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Ten Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 126,473	\$ 81,655	\$ 86,213	\$ 86,355	\$ 127,774	\$ 113,021	\$ 112,484	\$ 107,568	\$ 99,958	\$ 96,512
Contributions in Relation to the Actuarially Determined Contribution	126,473	81,655	86,213	86,355	127,774	113,021	112,484	107,568	99,958	96,512
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 1,157,118	\$ 1,283,882	\$ 1,353,426	\$ 1,355,643	\$ 1,363,647	\$ 1,206,202	\$ 1,218,683	\$ 1,164,156	\$ 1,081,801	\$ 1,032,211
Contributions as a Percentage of Covered Payroll	10.93%	6.36%	6.37%	6.37%	9.37%	9.37%	9.23%	9.24%	9.24%	9.35%

Notes:

Valuation Date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021 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 Method:	10-year smoothed within a 20.0% corridor to market value
Inflation	2.25%
Salary Increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	6.75%, 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	2.125%

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

TENNESSEE MUNICIPAL LEAGUE

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

Fiscal Years Ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability				
Service Cost	\$ 2,056	\$ 2,357	\$ 1,944	\$ 2,708
Interest	639	736	962	1,318
Differences between Expected and Actual Experience	(7,792)	(56)	122	(13,708)
Change of Assumptions	(7,425)	(6,362)	2,548	1,471
Benefit Payments	<u>(129)</u>	<u>(92)</u>	<u>(63)</u>	<u>(50)</u>
Net Change in Total OPEB Liability	(12,651)	(3,417)	5,513	(8,261)
Total OPEB Liability - Beginning	<u>27,586</u>	<u>31,003</u>	<u>25,490</u>	<u>33,751</u>
Total OPEB Liability - Ending	<u>\$ 14,935</u>	<u>\$ 27,586</u>	<u>\$ 31,003</u>	<u>\$ 25,490</u>
Covered Payroll	\$ 1,283,882	\$ 1,353,426	\$ 1,355,643	\$ 1,363,647
Total OPEB Liability as a Percentage of Covered Payroll	1.16%	2.04%	2.29%	1.87%

Note: 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.

SUPPLEMENTARY INFORMATION

TENNESSEE MUNICIPAL LEAGUE
DISCLOSURE PURSUANT TO T.C.A. § 10-7-503
For the Year Ended June 30, 2023

The Tennessee Municipal League (the "League") complies with all the requirements of Tennessee Code Annotated Section 10-7-503(d)(A) through (F) and is, therefore, not subject to the public disclosure requirements set forth therein. The audit disclosure requirements of subsection (F) of such statute are set out below:

- (A) Directors receive no compensation, fees or other remuneration from the League pursuant to corporate by-laws. Officers may receive compensation if authorized by the Board of Directors. Pursuant to corporate by-laws, the Secretary-Treasurer of the League also serves as the Executive Director and is compensated as a full-time employee (see below).
- (B) The following is a listing, by name of recipient, of all compensation and any other remuneration paid by the League during the twelve month period commencing July 1, 2022 through and including June 30, 2023 to, or accrued on behalf of, any employee of the League who receives more than twenty-five thousand (\$25,000) in remuneration for such period:

Name	Gross Compensation
Anthony Haynes, Executive Director	\$ 295,000
Mark Barrett	123,000
Kate Coil	53,775
Carole Graves	115,343
Jackie Gupton	104,550
John Holloway	119,273
Chad Jenkins	304,051
Debra Kluth	89,460
Rhett Pratt	45,833
Denise Paige	31,792
Sylvia Harris	112,152

- (C) The following is a listing, by name of beneficiary, of any deferred compensation, salary continuation, retirement or other fringe benefit plan or program (excluding qualified health and life insurance plans available to all employees of the organization on a nondiscriminatory basis) established or maintained by the League for the benefit of any of its directors, officers or employees, and the amount of any funds paid or accrued to such plan or program during the twelve month period commencing July 1, 2022 through and including June 30, 2023:

Name	Retirement	Other Fringe Benefits
Anthony Haynes, Executive Director	\$ 32,244	\$ 0
Mark Barrett	13,444	0
Kate Coil	5,878	0
Carole Graves	12,607	0
Jackie Gupton	11,427	0
John Holloway	13,037	0
Chad Jenkins	33,233	0
Debra Kluth	8,946	0
Rhett Pratt	5,010	0
Denise Paige	3,179	0
Sylvia Harris	11,215	0

See Independent Auditor's Report.

TENNESSEE MUNICIPAL LEAGUE

DISCLOSURE PURSUANT TO T.C.A. § 10-7-503 (Continued)

For the Year Ended June 30, 2023

- (D) The following is a listing, by name of recipient, of all persons or entities to whom fees were paid by the League during the twelve month period commencing July 1, 2022 through and including June 30, 2023 for services as a contractor, professional advisor or other personal services provider, which exceeds two thousand five hundred dollars (\$2,500) for such period:

<u>Name</u>	<u>Fees / Compensation</u>
Jane Alvis - Lobbyist	\$ 145,500
Pugh CPAs - Financial Statement Audit	12,250
Wade Morrell - Financial Consultant	175,000
Baker Donelson - Policy Consultant	56,000
Spencer Fane Bone McAllester - Attorney	60,000
VC3, Inc. - IT Consultant	30,305
Tom Griscom - Communications Consultant	24,000
Solutionz - Research and Analytics	89,594
First Light Communications - Marketing Consultant	23,250
McNeely Brockman PR, LLC - Communications Consultant	9,336

OTHER INFORMATION

TENNESSEE MUNICIPAL LEAGUE
SCHEDULE OF OFFICERS AND BOARD OF DIRECTORS
June 30, 2023

OFFICERS

President:	Bobby King
Vice Presidents:	Ron Williams Paige Brown
Secretary –Treasurer:	Anthony Haynes, Executive Director

BOARD OF DIRECTORS

Mayoral Directors:	Indya Kincannon Jim Strickland Tim Kelly John Cooper	Regional District Directors:	Darrell Duncan David Smoak Stefanie Dalton Keith Morrison Blake Lay Mike French Bethany Huffman Ann Schneider Williams
State At Large Directors:	Kirk Bednar Kevin Brooks Roland Dykes Julian McTizic	Past President Director:	Ken Moore
		TCMA Representative:	Kim Foster
Chairperson Director:	Kay Senter, TMBF Chair		

COMPLIANCE SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

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

Board of Directors and Senior Management
Tennessee Municipal League
Nashville, 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 Tennessee Municipal League, which is comprised of the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Tennessee Municipal League's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tennessee Municipal League'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tennessee Municipal League's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tennessee Municipal League'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 or significant deficiencies may exist that were not identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tennessee Municipal League'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 League'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 League's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
October 20, 2023

THE TENNESSEE MUNICIPAL LEAGUE
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2023

There were no prior findings reported.