

Financial Statements

CITY OF SWEETWATER, TENNESSEE

Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	16-19
Statement of Activities	20-23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24-27
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	28
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	29-32
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33-34
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Fund	35-47
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - State Street Aid Fund	48-49
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Drug Fund	50-51
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Purpose School Fund	52-55
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - School Cafeteria Fund	56
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - School Federal Project Fund	57

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - School Capital Project Fund	58
Statement of Net Position - Proprietary Funds	59-62
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds	63-64
Statement of Cash Flows - Proprietary Funds	65-71
Notes to the Financial Statements	72-148
 REQUIRED SUPPLEMENTARY INFORMATION	
Changes in Net Pension Liability(Asset) and Related Ratios	149-152
Proportionate Share of the Net Pension Liability(Asset)	153-156
Changes in Net OPEB Liability and Related Ratios	157-158
Changes in Proportionate Share of Collective OPEB Liability and Related Ratios	159-162
Pension Contributions	163-168
Notes to Pension Contributions	169-170
 OTHER SUPPLEMENTARY INFORMATION	
Combining and Individual Nonmajor Fund Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	171-172
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	173-176
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Home Grant Fund	177
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Economic Development Fund	178

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Capital Project Fund	179
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Library Fund	180-181
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Tourism Fund	182-183
Investments	184
Property Taxes Receivable	185-186
Long-Term Debt Requirements	187-197
Principal Officials	198
Utility Rates and Metered Customers - Electric Fund	199-201
Utility Rates and Metered Customers - Natural Gas Fund	202
Utility Rates and Metered Customers - Water and Sewer Fund	203
Water Utility Reporting Worksheet	204
Water Utility Performance Indicators	205
Operations Expenses - Proprietary Funds	206-207
Distribution and Maintenance Expenses - Proprietary Funds	208
Expenditures of Federal Awards and State Financial Assistance	209-211
Changes in Long-Term Debt by Individual Issue	212-213

INTERNAL CONTROL AND COMPLIANCE

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	214-215
Summary Schedule of Prior Year Findings	216
Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	217-218
Findings and Questioned Costs	219

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and Board of Commissioners
City of Sweetwater, Tennessee
Sweetwater, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweetwater, Tennessee as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Sweetwater, Tennessee'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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We did not audit the financial statements of the electric fund, the natural gas fund, or the water and sewer fund, which represent 100 percent of the assets, net position and revenue of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for proprietary funds, is based solely on the report of the other auditors. 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 of America. 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 auditors' 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 auditors consider internal control relevant to the 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 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.

Emphasis of a Matter

As discussed in Note T, beginning fund balance and net position has been restated to record the liability for other postemployment benefits and to record additional accounts receivable. Our opinion is not modified with respect to this matter.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweetwater, Tennessee as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund, general purpose school fund, school cafeteria fund, school capital project fund, school federal project fund, state street aid fund, and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15 and the schedule of changes in net pension liability(asset) and related ratios on pages 149 to 152, the schedule of proportionate share of the net pension liability(asset) on pages 153 to 156, the schedule of changes in net OPEB liability and related ratios on pages 157 to 158, the schedule of pension contributions on pages 163 to 168, and the notes to pension contributions on pages 169 to 170 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sweetwater, Tennessee's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of investments, property taxes receivable, long-term debt requirements, operations expenses – proprietary funds, distribution and maintenance expenses – proprietary funds, expenditures of federal awards and state financial assistance and changes in long-term debt by individual issue 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the combining and individual nonmajor fund financial statements, schedules of investments, property taxes receivable, long-term debt requirements, operations expenses – proprietary funds, distribution and maintenance expenses – proprietary funds, expenditures of federal awards and state financial assistance and changes in long-term debt by individual issue are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of principal officials, utility rates and metered customers - electric fund, utility rates and metered customers – natural gas fund, utility rates and metered customers – water and sewer fund, water utility reporting worksheet and water utility performance indicators 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 June 7, 2021, on our consideration of City of Sweetwater, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sweetwater, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

June 7, 2021

Management's Discussion and Analysis For the Year Ended June 30, 2020

The management of City of Sweetwater, Tennessee (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020.

Consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- The net position of the City at June 30, 2020 was \$80,940,127 (\$75,329,068 in 2019). Of this amount, \$19,298,299 may be used to meet the City's ongoing obligations to citizens and creditors (\$18,760,010 in 2019).
- The City's net position increased by \$5,611,059 (7.5%) during the year ended June 30, 2020 and increased by \$5,197,235 (7.3%), during the year ended June 30, 2019.
- At June 30, 2020 the City's governmental funds reported combined ending fund balances of \$9,823,716, an increase of \$1,335,568 for the year ending June 30, 2019. Approximately 30% of this total amount (\$2,605,588) is available for spending at the City's discretion. At June 30, 2019 combined ending fund balances from governmental funds was \$8,488,148 an increase of \$1,625,077 from June 30, 2018.

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 are comprised of 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 and liabilities with the difference between the two 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The governmental activities of the City include the following:

- General government
- Public safety
- Public welfare
- Streets and highways
- Education
- Solid waste collection and disposal

The business-type activities of the City include operations of the Sweetwater Utilities Board Electric, Gas, and Water and Sewer Departments.

The government-wide financial statements can be found on pages 16 to 23 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, 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 government's near term financing requirement. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information present for *governmental funds* with similar information present for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven major and four non-major individual governmental funds that are used to account for expendable financial resources and related liabilities. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenue, expenditures and changes in fund balances for the general fund, state street aid fund, drug fund, school general purpose fund, school cafeteria fund, school capital project fund, and school federal project fund, all of which are considered to be major funds. The City also maintains four individual governmental funds that are classified as nonmajor governmental funds and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation.

The City adopts annual appropriation budgets for each of its governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all of the City's major funds and are presented on pages 35 to 58. Budget comparisons for nonmajor funds are included as supplementary information on pages 177 to 183.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains its business-type activities in three major proprietary funds. The City uses this type of fund to account for its electric distribution operation, gas, and water and sewer. Proprietary funds are used to account for activities that are similar to those often found in the private sector.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution operation, gas, and water and sewer operations, all three of which are considered to be major funds of the City. The proprietary fund financial statements can be found on pages 59 to 71 of this report.

Notes to the financial statements - The notes provide additional information essential to the full understanding of the data provided in the government fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Also, the City's changes in net pension liability(asset) in funding its obligation to provide pension benefits and other post-employment benefits to its employees is included as required supplementary information on pages 149 to 152 of this report.

Internal Control and Compliance Section – This includes the auditors' report on the City's internal controls and compliance.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City's net position was \$80,940,127 at June 30, 2020 and \$75,329,069 at June 30, 2019.

The largest portion of the City's net position (63%) reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens so these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At June 30, 2020 and 2019 the City's statement of net position consisted of the following:

A portion of the City's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$19,298,299 and \$18,760,110 at June 30, 2020 and 2019, respectively) may be used to meet the City's ongoing obligations to citizens and creditors.

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets	\$ 39,143,684	\$ 34,279,667
Capital assets, net of accumulated depreciation	<u>67,064,177</u>	<u>66,206,596</u>
TOTAL ASSETS	106,207,861	100,486,263
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension and other postemployment benefits	<u>4,395,751</u>	<u>4,915,364</u>
	<u>\$ 110,603,612</u>	<u>\$ 105,401,628</u>
LIABILITIES		
Current liabilities	\$ 8,520,564	\$ 9,846,153
Noncurrent liabilities	<u>15,342,859</u>	<u>17,379,550</u>
TOTAL LIABILITIES	23,863,423	27,225,703
DEFERRED INFLOWS OF RESOURCES		
Taxes collected in advance	2,027,755	2,002,500
Deferred inflows related to other postemployment benefits	168,367	422,110
Deferred inflows related to pension	<u>3,603,942</u>	<u>422,247</u>
	5,800,064	2,846,857

NET POSITION

Net investment in capital assets	51,137,211	49,520,323
Restricted	10,504,617	7,048,635
Unrestricted	<u>19,298,299</u>	<u>18,760,110</u>

TOTAL NET POSITION 80,940,127 75,329,068

\$ 110,603,612 \$ 105,401,628

At June 30, 2020 and 2019, the City was able to report positive balances in all categories of net position.

Following is a summary of financial activities for the City during the fiscal years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 30,977,133	\$ 32,253,414
Operating grants and contributions	10,686,020	10,752,250
Capital grants and contributions	873,658	422,538
General Revenue:		
Taxes	8,141,542	7,896,560
Intergovernmental	1,284,571	1,488,456
Investment earnings	304,505	195,487
Insurance recovery	19,359	62,849
Sale of materials and supplies	6,228	22,665
Miscellaneous	<u>140,548</u>	<u>44,928</u>
TOTAL REVENUE	52,433,564	53,139,147

EXPENSES

General government	1,503,507	1,785,150
Public safety	2,586,093	2,545,466
Public welfare	939,467	954,254
Streets and highways	1,228,192	1,112,419
Education	13,125,307	12,532,088
Solid waste collection and disposal	316,838	304,827
Interest on long-term debt	56,408	46,554
Electric	22,490,120	23,562,729
Natural gas	1,647,842	2,096,187
Water and sewer	<u>2,928,731</u>	<u>3,002,238</u>

	<u>2020</u>	<u>2019</u>
TOTAL EXPENSES	<u>46,822,505</u>	<u>47,941,912</u>
INCREASE IN NET POSITION	5,611,059	5,197,235
NET POSITION AT THE BEGINNING OF THE YEAR	75,329,068	71,275,922
Prior period adjustment	<u>0</u>	<u>(1,144,089)</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 80,940,127</u>	<u>\$ 75,329,068</u>

Governmental activities - Governmental activities increased the City's net position during the year ended June 30, 2020 by \$2,703,051. Governmental activities increased the City's net position by \$2,219,452 during the year ended June 30, 2019.

Information regarding these changes can be found on page 21-22 of this report.

Business-type activities - Business-type activities increased the City's net position by \$2,908,008 for the year ended June 30, 2020, as compared to an increase of \$2,876,149 for the year ended June 30, 2019. The electric department, gas department and water and sewer department contributed to the increase.

The change in net position of the electric department was a increase of \$1,539,740. The increase was the result of an increase in electric energy sales that was more than offset the increased cost of power purchased from TVA, an increase in maintenance expenses, and those increases were partially offset by a decrease in other operations expenses.

The change in net position of the gas department was \$500,146, as compared to the change in net position for the year ending June 30, 2019 of \$517,252.

The change in net position of the water and sewer department was \$868,122. The change in net position of the water and sewer department for the year ending June 30, 2019 was \$1,137,245.

Fund Financial Statements

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

Governmental Funds – Unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the fiscal year. At June 30, 2020 the City’s governmental funds reported combined fund balances of \$9,823,717, an increase of \$1,335,568 in comparison with the prior year. Approximately 30% of the fund balance constitutes unassigned fund balance, which is available for spending at the City’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been committed to the City’s special projects fund (\$87,136), highway and street improvements fund (\$309,944), drug enforcement fund (\$66,420), the City’s economic development fund (\$152,032), the City’s school general purpose fund (\$6,347,407), the City’s tourism fund (\$28,794), the City’s school cafeteria fund (\$177,687), and the City’s library fund (\$48,709).

The general fund is the chief operating fund of the City. At June 30, 2020 unassigned fund balance of the general fund was \$2,543,119. 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. The City’s general fund balance increased \$731,086 during the year ended June 30, 2020.

At June 30, 2020 the City has a restricted fund balance of \$7,169,420, the breakdown is as follows: school general purpose fund - \$6,347,407; school cafeteria fund - \$177,687; general fund - \$87,136, state street aid - \$309,944, drug fund - \$66,420, school federal project fund - \$0, economic development fund - \$152,032, tourism fund - \$28,794. The net decrease in this restricted fund balance during the current year was \$613,513. Due to GASB 54, all of the City’s school fund balance is reflected as restricted funds for the governmental funds of the City. The City’s school general ledger can provide additional information and is maintained by the school finance officer Janet Collins.

Nonmajor governmental funds had a fund balance of \$218,219 at June 30, 2020, as compared to \$231,280 at June 30, 2019.

Proprietary funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sweetwater Utilities Board amounted to \$18,187,533 at June 30, 2020, and at June 30, 2019 amounted to \$16,074,966. Sweetwater Utilities Board’s general ledger can provide additional information and is maintained by finance officer Jan Broyles.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the Mayor and Board of Commissioners approved amendments to legally adopted appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2020, amounted to \$67,064,177 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

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

- Equipment, vehicle, and computer upgrades in various departments
- Resurfacing of several city roads
- Building of new gymnasium for Sweetwater Junior High School
- Economic development infrastructure project

The City's investment in capital assets as of June 30, 2020 for governmental activities was \$24,350,575 (\$24,073,544 in 2019) net of accumulated depreciation.

	2020	2019
Land	\$ 865,274	\$ 865,274
Construction in Progress	0	3,784,581
Buildings and improvements	30,737,555	27,376,095
Vehicles and equipment	7,175,718	7,072,662
Infrastructure	6,358,947	4,574,332
Accumulated depreciation	<u>(20,786,919)</u>	<u>(19,599,401)</u>
Total Capital Assets,		
Net of Accumulated Depreciation	<u>\$ 24,350,575</u>	<u>\$ 24,073,544</u>

The City's net investment in capital assets as of June 30, 2020 for business-type activities was \$42,713,602 (\$42,133,052 in 2019). Additional information on the City's capital assets can be found on pages 84 to 88 of the notes to the financial statements.

DEBT

At June 30, 2020 the City's proprietary funds had outstanding debt of \$9,871,817 (\$10,144,347 in 2019). During the year ended June 30, 2020 the City issued \$1,387,842 in new debt and retired \$1,660,371 (\$899,448 in 2019) of debt of its business-type activities. The proprietary fund debt is backed by the full faith and credit of the City.

At June 30, 2020 the City's governmental funds had outstanding debt of \$7,027,501 (\$7,559,545 in 2019) consisting of the following:

	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 7,027,501	\$ 7,559,545
Less: current portion due	<u>(549,872)</u>	<u>(533,629)</u>
Total long-term debt principal	<u>\$ 6,477,629</u>	<u>\$ 7,025,917</u>

During the year ended June 30, 2020 the City issued no new debt and retired \$532,045 (\$533,244 in 2019) of debt of its governmental funds.

The City has a bond rating of A2 from Moody's Investors Service and has no legal debt limitation imposed by its charter or by state statutes. A debt policy was instituted by the City in December 2012, which has been updated annually.

Additional information on the City's long-term debt can be found on pages 187 to 197 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Current electric rates are listed on pages 199-201

The cost of natural gas remains volatile. However, with the Utility being a member of MEAC (Municipal Energy Acquisition Corporation) some natural gas can be purchased at a reduced rate. The City also is in frequent contact with their marketer, CenterPoint Energy, and has the resources to store natural gas when the price is low. Current gas rates are listed on page 202.

Current water and sewer rates are listed on page 203.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sweetwater.

Jessica Morgan, City Recorder
City of Sweetwater, Tennessee
P.O. Box 267
Sweetwater, TN 37874
Telephone 423-337-6979
jmorgan@sweetwatertn.net

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 9,493,571	\$ 14,745,530	\$ 24,239,101
Certificates of deposit	100,963	1,898,000	1,998,963
Accounts receivable, net of allowance for uncollectible accounts	89,159	1,894,869	1,984,028
Property taxes receivable	2,623,366	0	2,623,366
Taxes receivable	183,496	0	183,496
Due from other governments	670,374	0	670,374
Net pension asset	3,056,500	0	3,056,500
Customer loan program	0	1,069,377	1,069,377
Interest receivable	0	2,077	2,077
Grants receivable	0	0	0
Other	0	141,303	141,303
Sweetwater Utilities Board - Electric Department	0	45,951	45,951
Inventories	0	680,674	680,674
Interfund balances	(9,256)	9,256	0
Prepaid expenses	0	376,446	376,446
Note receivable-customer loan program	0	828,798	828,798
Pension trust contributions	35,025	0	35,025
Other postemployment benefit asset	0	156,203	156,203
Renewal and replacement fund	0	824,000	824,000
Unemployment security fund	0	8,000	8,000
Self insurance fund	0	220,000	220,000
Capital assets not being depreciated	865,274	2,750,179	3,615,453
Capital assets being depreciated, net of accumulated depreciation	23,485,301	39,963,423	63,448,724
	<u>40,593,773</u>	<u>65,614,086</u>	<u>106,207,861</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 722,580	\$ 2,071,449	\$ 2,794,029
Accrued salaries	14,035	0	14,035
Customer deposits	0	1,095,570	1,095,570
Accrued expenses	0	1,134,046	1,134,046
Net pension liability	0	1,607,853	1,607,853
Net OPEB liability	318,572	0	318,572
Current portion of long-term debt	549,872	1,006,587	1,556,459
Long-term debt, net of current portion	<u>6,477,629</u>	<u>8,865,230</u>	<u>15,342,859</u>
	8,082,688	15,780,735	23,863,423
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	2,027,755	0	2,027,755
Deferred inflows related to other postemployment benefits	0	168,367	168,367
Deferred outflows related to pensions	<u>3,268,552</u>	<u>335,390</u>	<u>3,603,942</u>
	5,296,307	503,757	5,800,064

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION

(continued)

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>1,567,476</u>	<u>2,828,275</u>	<u>4,395,751</u>
	<u>\$ 42,161,251</u>	<u>\$ 68,442,361</u>	<u>\$ 110,603,612</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
NET POSITION			
Net investment in capital assets	17,323,075	33,814,136	51,137,211
Restricted	10,348,414	156,203	10,504,617
Unrestricted	<u>1,110,766</u>	<u>18,187,533</u>	<u>19,298,299</u>
	<u>28,782,255</u>	<u>52,157,872</u>	<u>80,940,127</u>
	<u>\$ 42,161,251</u>	<u>\$ 68,442,361</u>	<u>\$ 110,603,612</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 1,503,507	\$ 76,108	\$ 0	\$ 0
Public safety	2,586,093	118,082	26,604	0
Public welfare	939,467	20,387	123,896	136,026
Streets and highways	1,228,192	28,955	213,587	737,632
Waste management	316,838	300,135	0	0
Education	13,125,307	107,947	10,321,934	0
Interest on long-term debt	<u>56,408</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	19,755,812	651,613	10,686,020	873,658
Business-Type Activities:				
Electric	22,490,120	24,443,473	0	0
Natural gas	1,647,842	2,124,944	0	0
Water and sewer	<u>2,928,731</u>	<u>3,757,103</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>27,066,693</u>	<u>30,325,520</u>	<u>0</u>	<u>0</u>
	<u>\$ 46,822,505</u>	<u>\$ 30,977,133</u>	<u>\$ 10,686,020</u>	<u>\$ 873,658</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (1,427,399)	\$ 0	\$ (1,427,399)
(2,441,407)	0	(2,441,407)
(659,158)		(659,158)
(248,018)	0	(248,018)
(16,703)		(16,703)
(2,695,426)	0	(2,695,426)
<u>(56,408)</u>	<u>0</u>	<u>(56,408)</u>
(7,544,521)	0	(7,544,521)
0	1,953,353	1,953,353
0	477,102	477,102
<u>0</u>	<u>828,372</u>	<u>828,372</u>
<u>0</u>	<u>3,258,827</u>	<u>3,258,827</u>
<u>\$ (7,544,521)</u>	<u>\$ 3,258,827</u>	<u>\$ (4,285,694)</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2020

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property tax

Interest and penalty

Local sales tax

Business tax

Wholesale beer tax

Liquor tax

Occupancy tax

Franchise tax

Intergovernmental

Interest earnings

Insurance recovery

Sale of materials and supplies

Miscellaneous

Total general revenue

Transfers

Total general revenue and transfers

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR, as restated

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (7,544,521)	\$ 3,258,827	\$ (4,285,694)
3,351,609	0	3,351,609
39,101	0	39,101
4,083,481	0	4,083,481
196,932	0	196,932
264,307	0	264,307
59,072	0	59,072
63,599	0	63,599
83,441	0	83,441
1,284,571	0	1,284,571
70,324	234,181	304,505
19,359	0	19,359
6,228	0	6,228
140,548	0	140,548
9,662,572	234,181	9,896,753
585,000	(585,000)	0
10,247,572	(350,819)	9,896,753
2,703,051	2,908,008	5,611,059
26,079,205	49,249,864	75,329,068
<u>\$ 28,782,255</u>	<u>\$ 52,157,872</u>	<u>\$ 80,940,127</u>

CITY OF SWEETWATER, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
ASSETS				
Cash	\$ 2,172,664	\$ 363,206	\$ 77,246	\$ 392,349
Certificates of deposit	100,963	0	0	0
Accounts receivable	89,159	0	0	0
Property taxes receivable	2,623,366	0	0	0
Other taxes receivable	183,496	0	0	0
Pension trust contributions	0	0	0	0
Due from other funds	0	0	0	0
Due from other governments	<u>150,037</u>	<u>18,809</u>	<u>0</u>	<u>0</u>
	<u>\$ 5,319,685</u>	<u>\$ 382,015</u>	<u>\$ 77,246</u>	<u>\$ 392,349</u>

See the accompanying notes to the financial statements.

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
\$ 6,264,271	\$ 150,051	\$ 0	\$ 73,785	\$ 9,493,571
0	0	0	0	100,963
0	0	0	0	89,159
0	0	0	0	2,623,366
0	0	0	0	183,496
35,025	0	0	0	35,025
26,678	0	0	0	26,678
<u>290,877</u>	<u>54,314</u>	<u>156,336</u>	<u>0</u>	<u>670,374</u>
<u>\$ 6,616,850</u>	<u>\$ 204,365</u>	<u>\$ 156,336</u>	<u>\$ 73,785</u>	<u>\$ 13,222,632</u>

CITY OF SWEETWATER, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

(continued)

June 30, 2020

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
LIABILITIES				
Accounts payable	\$ 53,808	\$ 72,071	\$ 10,826	\$ 174,130
Accrued salaries	0	0	0	0
Due to other funds	<u>9,256</u>	<u>0</u>	<u>0</u>	<u>0</u>
	63,064	72,071	10,826	174,130
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	2,626,366	0	0	0
FUND BALANCES(DEFICIT)				
Restricted	87,136	309,944	66,420	180,826
Assigned	0	0	0	48,709
Unassigned	<u>2,543,119</u>	<u>0</u>	<u>0</u>	<u>(11,316)</u>
	<u>2,630,255</u>	<u>309,944</u>	<u>66,420</u>	<u>218,219</u>
	<u>\$ 5,319,685</u>	<u>\$ 382,015</u>	<u>\$ 77,246</u>	<u>\$ 392,349</u>

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
\$ 255,409	\$ 0	\$ 156,336	\$ 0	\$ 722,580
14,035	0	0	0	14,035
<u>0</u>	<u>26,678</u>	<u>0</u>	<u>0</u>	<u>35,934</u>
269,443	26,678	156,336	0	772,549
0	0	0	0	2,626,366
6,347,407	177,687	0	0	7,169,420
0	0	0	0	48,709
<u>0</u>	<u>0</u>	<u>0</u>	<u>73,785</u>	<u>2,605,588</u>
<u>6,347,407</u>	<u>177,687</u>	<u>0</u>	<u>73,785</u>	<u>9,823,717</u>
<u>\$ 6,616,850</u>	<u>\$ 204,365</u>	<u>\$ 156,336</u>	<u>\$ 73,785</u>	<u>\$ 13,222,632</u>

CITY OF SWEETWATER, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2020

Total Fund Balance - Governmental Funds	\$ 9,823,717
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	24,350,575
Net pension assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	
Net pension asset/liability	3,056,500
Deferred outflows of resources	1,567,476
Deferred inflows of resources	(3,268,552)
Net other postemployment benefits assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	(318,572)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(7,027,501)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	<u>598,611</u>
Net Position of Governmental Activities	<u>\$ 28,782,255</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
REVENUE				
Taxes:				
Property taxes	\$ 2,033,106	\$ 0	\$ 0	\$ 0
Interest and penalty	32,671	0	0	0
Local sales tax	2,906,254	0	0	0
Business tax	157,171	0	0	0
Mixed drink tax	54,504	0	0	0
Franchise tax	83,441	0	0	0
Occupancy tax	0	0	0	63,599
Wholesale beer tax	264,307	0	0	0
Intergovernmental	943,867	951,219	0	264,450
Licenses and permits	29,587	0	0	0
Receipts for use of facilities	13,800	0	0	0
Fines and forfeitures	34,001	0	28,240	0
Charges for service	438,299	0	0	5,967
Other revenue	<u>104,714</u>	<u>0</u>	<u>0</u>	<u>62,917</u>
TOTAL REVENUE	7,095,722	951,219	28,240	396,933
EXPENDITURES				
Current:				
General government	985,449	0	0	314,213
Public safety	2,538,914	0	13,593	0
Public welfare	662,673	0	0	193,781
Highways and streets	988,778	192,463	0	0
Waste management	316,838	0	0	0
Education	15,238	0	0	0

See the accompanying notes to the financial statements.

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
\$ 1,302,591	\$ 0	\$ 0	\$ 0	\$ 3,335,698
6,430	0	0	0	39,101
1,177,227	0	0	0	4,083,481
39,761	0	0	0	196,932
4,568	0	0	0	59,072
0	0	0	0	83,441
0	0	0	0	63,599
0	0	0	0	264,307
8,900,727	714,178	945,914	0	12,720,354
0	0	0	0	29,587
1,010	0	0	0	14,810
0	0	0	0	62,241
0	98,457	0	0	542,724
<u>76,816</u>	<u>2,273</u>	<u>0</u>	<u>8,503</u>	<u>255,224</u>
11,509,130	814,908	945,914	8,503	21,750,568
0	0	0	0	1,330,624
0	0	0	0	2,552,506
0	0	0	0	893,956
0	0	0	0	1,181,241
0	0	0	0	316,838
10,828,701	828,337	945,914	0	12,618,190

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2020

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
Capital outlay	482,289	890,768	0	0
Debt service	<u>267,453</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>6,257,632</u>	<u>1,083,231</u>	<u>13,593</u>	<u>507,995</u>
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	838,090	(132,013)	14,647	(111,061)
OTHER FINANCING SOURCES(USES)				
Transfers (to)from other funds	<u>(107,004)</u>	<u>9,004</u>	<u>0</u>	<u>98,000</u>
NET CHANGE IN FUND BALANCES	731,086	(123,009)	14,647	(13,062)
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>1,899,169</u>	<u>432,953</u>	<u>51,773</u>	<u>231,280</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 2,630,255</u>	<u>\$ 309,944</u>	<u>\$ 66,420</u>	<u>\$ 218,219</u>

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
91,492	0	0	0	1,464,550
<u>443,105</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>710,558</u>
<u>11,363,298</u>	<u>828,337</u>	<u>945,914</u>	<u>0</u>	<u>21,000,000</u>
145,832	(13,429)	0	8,503	750,568
<u>585,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>585,000</u>
730,832	(13,429)	0	8,503	1,335,568
<u>5,616,575</u>	<u>191,116</u>	<u>0</u>	<u>65,282</u>	<u>8,488,148</u>
<u>\$ 6,347,407</u>	<u>\$ 177,687</u>	<u>\$ 0</u>	<u>\$ 73,785</u>	<u>\$ 9,823,717</u>

CITY OF SWEETWATER, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2020

Net Change in Fund Balances \$ 1,335,568

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Acquisition of capital assets	1,464,550
Depreciation expense	(1,187,518)

Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	840,000
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Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds financial statements:	
Deferred tax revenue - June 30, 2019	(582,700)
Deferred tax revenue - June 30, 2020	598,611

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(282,992)

Other postemployment benefits expense reported in the statement of activities does not require the use of current financial resources and, therefore, it is not reported as an expenditure in the governmental fund financial statements	(121,897)
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Other postemployment benefits revenue reported in the statement of activities does not increase current financial resources and, therefore, it is not reported as a revenue in the governmental fund financial statements	107,383
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See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

(continued)

Year Ended June 30, 2020

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>532,045</u>
Change in Net Position of Governmental Activities	<u>\$ 2,703,051</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$ 1,879,000	\$ 1,879,000	\$ 2,033,106	\$ 154,106
Interest and penalty	27,000	27,000	32,671	5,671
Local sales tax	2,760,000	2,760,000	2,906,254	146,254
Business tax	150,000	150,000	157,171	7,171
Mixed drink tax	55,000	55,000	54,504	(496)
Franchise tax	84,500	84,500	83,441	(1,059)
Wholesale beer tax	266,000	266,000	264,307	(1,693)
	5,221,500	5,221,500	5,531,454	309,954
Intergovernmental:				
State income tax	20,000	20,000	11,846	(8,154)
State beer tax	3,000	3,000	2,815	(185)
State mixed drink tax	4,000	4,000	6,755	2,755
State sales tax	535,000	535,000	548,889	13,889
State police supplement	24,400	24,400	25,560	1,160
Corporate excise tax	13,000	13,000	19,570	6,570
Bulletproof vest grant	1,500	1,500	3,645	2,145
Public Wi-Fi grant	52,000	52,000	45,605	(6,395)
LPRF grant	275,000	275,000	136,025	(138,975)
Monroe County grant	10,000	10,000	10,000	0
TML safety grant	4,500	4,500	1,044	(3,456)
In-lieu of tax payments	100,900	100,900	104,931	4,031
Community development grants	195,000	195,000	15,248	(179,752)
Highways and streets	12,000	12,000	11,932	(68)
	1,250,300	1,250,300	943,867	(306,433)

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Licenses and permits:				
Beer licenses	8,000	8,000	4,908	(3,092)
Liquor licenses	0	0	500	500
Animal registration	1,500	1,500	1,185	(315)
Special assessments	2,000	2,000	2,378	378
General and special privilege	100	100	540	440
Building permits	30,000	30,000	20,076	(9,924)
	<u>41,600</u>	<u>41,600</u>	<u>29,587</u>	<u>(12,013)</u>
Receipts for use of facilities:				
Medical transportation rent	13,800	13,800	13,800	0
Fines and forfeitures	35,500	35,500	34,001	(1,499)
Charges for service:				
Photocopies	1,250	1,250	1,939	689
Highway and street charges	25,000	25,000	28,955	3,955
Clerks' fee-business tax	25,000	25,000	22,268	(2,732)
City garage charges	2,000	2,000	1,530	(470)
Board of Education	10,000	10,000	6,984	(3,016)
Pool fees and concessions	40,500	40,500	14,420	(26,080)
Recreation program	500	500	0	(500)
Sale of materials and land	15,000	15,000	6,228	(8,772)
Special police service	64,259	64,259	55,841	(8,418)
Solid waste collection fees	299,000	299,000	300,135	1,135
	<u>482,509</u>	<u>482,509</u>	<u>438,299</u>	<u>(44,210)</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other revenue:				
Contributions	2,000	2,000	51,531	49,531
Interest	3,500	3,500	19,314	15,814
Insurance recoveries	1,500	1,500	17,196	15,696
Miscellaneous revenue	4,500	4,500	16,672	12,172
	<u>11,500</u>	<u>11,500</u>	<u>104,714</u>	<u>93,214</u>
TOTAL REVENUE	7,056,709	7,056,709	7,095,722	39,013
EXPENDITURES				
Judicial:				
Salaries	2,472	2,472	2,400	(72)
OASDI	200	200	184	(16)
Retirement	179	179	170	(9)
	<u>2,851</u>	<u>2,851</u>	<u>2,754</u>	<u>(97)</u>
Executive:				
Salaries and wages	30,900	30,900	30,825	(75)
OASDI	2,800	2,800	2,725	(75)
Retirement	2,200	2,200	1,931	(269)
Publicity and subscriptions	8,000	8,000	8,173	173
Legal services	8,000	14,000	11,680	(2,320)
Travel	1,000	1,000	409	(591)
Telephone	0	0	336	336
Repairs and maintenance	0	0	970	970
Operating supplies	4,300	4,300	3,545	(755)
Other services	4,800	4,800	4,800	0
Community health	6,000	6,000	5,513	(487)
	<u>68,000</u>	<u>74,000</u>	<u>70,907</u>	<u>(3,093)</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Financial administration:				
Salaries	188,794	188,794	188,858	64
OASDI	14,159	14,159	13,206	(953)
Health insurance	37,492	37,492	37,374	(118)
Retirement	13,319	13,319	13,324	5
Life insurance	208	208	201	(7)
Unemployment insurance	360	360	84	(276)
Dental insurance	1,200	1,200	1,209	9
Disability insurance	545	545	536	(9)
Vision insurance	261	261	241	(20)
Telephone	6,000	6,000	5,302	(698)
Accounting	22,100	22,100	22,000	(100)
Legal	500	500	0	(500)
Consulting services	4,000	20,727	10,348	(10,379)
Office supplies and postage	9,500	5,900	6,991	1,091
Surety bonds	3,500	3,500	3,280	(220)
Travel	6,000	6,000	2,722	(3,278)
Machinery and equipment	4,250	4,250	3,021	(1,229)
Other improvements	8,000	18,000	11,178	(6,822)
Data processing	40,000	43,000	42,753	(247)
	<u>360,188</u>	<u>386,315</u>	<u>362,629</u>	<u>(23,686)</u>
General government buildings:				
Salaries	40,738	43,738	43,666	(72)
OASDI	3,055	3,055	3,268	213
Health insurance	9,373	9,373	9,374	1
Retirement	2,936	2,936	2,933	(3)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Life insurance	51	51	50	(1)
Unemployment insurance	90	90	30	(60)
Disability insurance	137	137	135	(2)
Dental insurance	320	320	303	(17)
Utilities	28,000	28,000	21,853	(6,147)
Repairs	110,000	110,000	72,145	(37,855)
Operating supplies	<u>3,350</u>	<u>3,350</u>	<u>4,659</u>	<u>1,309</u>
	198,050	201,050	158,416	(42,634)
Tourism:				
Salaries	19,000	19,000	15,870	(3,130)
OASDI	1,238	1,238	1,214	(24)
Unemployment insurance	210	210	48	(162)
Utilities	6,000	6,000	7,130	1,130
Other operating supplies	<u>2,000</u>	<u>3,000</u>	<u>6,700</u>	<u>3,700</u>
	28,448	29,448	30,962	1,514
Other general government:				
Salaries	35,627	35,627	20,440	(15,187)
OASDI	2,672	2,672	1,542	(1,130)
Retirement	2,508	2,508	1,382	(1,126)
Health insurance	15,873	15,873	9,412	(6,461)
Dental, vision and life insurance	420	420	212	(208)
Unemployment insurance	90	90	5	(85)
Disability insurance	150	150	69	(81)
Other insurance	220,000	220,000	228,845	8,845
Memberships and registration fees	3,000	3,000	3,000	0
Utilities, phone and TV service	6,250	6,250	7,503	1,253

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Medical services	1,000	1,000	988	(12)
Travel and training	4,000	4,000	100	(3,900)
Other operating supplies	17,150	17,150	30,006	12,856
Charitable donations	20,000	26,000	21,190	(4,810)
Community improvement	72,500	72,500	48,880	(23,620)
Christmas decorations	6,000	6,000	5,240	(760)
Independence Day	2,000	2,000	11,929	9,929
	<u>409,240</u>	<u>415,240</u>	<u>390,743</u>	<u>(24,497)</u>
Police department:				
Salaries	1,053,048	1,070,048	985,688	(84,360)
OASDI	78,979	78,979	72,696	(6,283)
Retirement	69,182	69,182	62,802	(6,380)
Health insurance	187,460	187,460	179,886	(7,574)
Dental, vision and life insurance	9,410	9,410	8,261	(1,149)
Unemployment insurance	2,100	2,100	495	(1,605)
Disability insurance	2,800	2,800	2,579	(221)
Telephone	15,000	15,000	20,296	5,296
Medical services	2,000	2,000	1,736	(264)
Professional services	0	0	4,806	4,806
Car maintenance	15,000	15,000	12,734	(2,266)
Publicity/subscriptions	500	500	0	(500)
Travel and training	7,500	7,500	5,731	(1,769)
Uniforms	7,000	7,000	9,861	2,861
Firearms and supplies	9,000	9,000	9,809	809
Gas, oil and grease	29,000	29,000	33,136	4,136
Office supplies and materials	4,100	4,100	4,739	639
Special investigative	500	500	0	(500)
Data processing services	7,000	7,000	6,665	(335)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other operating supplies	<u>23,400</u>	<u>23,400</u>	<u>5,904</u>	<u>(17,496)</u>
	1,522,979	1,539,979	1,427,824	(112,155)
Sanitation department:				
Contractual services	260,000	260,000	265,546	5,546
Landfill services	<u>35,100</u>	<u>35,100</u>	<u>51,292</u>	<u>16,192</u>
	295,100	295,100	316,838	21,738
Fire department:				
Salaries	642,723	642,723	649,686	6,963
OASDI	48,129	48,129	47,693	(436)
Retirement	44,717	44,717	41,561	(3,156)
Health insurance	121,849	121,849	122,707	858
Dental, vision and life insurance	5,420	5,420	5,452	32
Unemployment insurance	1,350	1,350	352	(998)
Disability insurance	1,921	1,921	1,758	(163)
Utilities	14,000	14,000	14,658	658
Telephone	8,000	8,000	10,428	2,428
Fire hydrant rental	30,000	30,000	27,879	(2,121)
Medical services	4,500	4,500	6,848	2,348
Maintenance	26,000	53,000	32,367	(20,633)
Travel and training	6,000	6,000	17,132	11,132
Uniforms	5,000	5,000	4,625	(375)
Gas, oil and grease	8,500	8,500	9,634	1,134
Other operating supplies	<u>59,450</u>	<u>64,450</u>	<u>33,439</u>	<u>(31,011)</u>
	1,027,559	1,059,559	1,026,221	(33,338)
Communications services:				
Contract services	82,948	82,948	82,700	(248)
Utilities	5,400	5,400	2,062	(3,338)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other improvements	8,000	8,000	107	(7,893)
	96,348	96,348	84,869	(11,479)
Building inspection:				
Salaries	85,548	85,548	84,392	(1,156)
OASDI	6,416	6,416	6,364	(52)
Retirement	6,031	6,031	5,949	(82)
Health insurance	18,746	18,746	18,746	0
Dental, vision and life insurance	827	827	828	1
Unemployment insurance	270	270	42	(228)
Disability insurance	295	295	269	(26)
Telephone	2,500	2,500	1,910	(590)
Travel and training	5,000	5,000	2,341	(2,659)
Uniforms	1,000	1,000	183	(817)
Gas, oil and grease	1,300	1,300	562	(738)
State planning office	15,000	15,000	9,975	(5,025)
Office supplies	3,000	3,000	1,775	(1,225)
Professional services	5,425	5,425	1,007	(4,418)
Mowing assessments	35,000	54,020	13,079	(40,941)
Operating supplies	7,250	7,250	1,094	(6,156)
	193,608	212,628	148,516	(64,112)
Street lighting:				
Utilities	205,000	205,000	203,020	(1,980)
Highways and streets:				
Salaries	520,140	520,140	503,094	(17,046)
OASDI	39,011	39,011	36,858	(2,153)
Retirement	36,426	36,426	34,346	(2,080)
Health insurance	112,476	112,476	109,242	(3,234)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Dental, vision and life insurance	5,476	5,476	4,884	(592)
Unemployment insurance	1,200	1,200	252	(948)
Disability insurance	1,750	1,750	1,569	(181)
Utilities	6,500	6,500	5,537	(963)
Telephone	5,000	5,000	7,003	2,003
Feeding prisoners	4,000	4,000	2,887	(1,113)
Landfill fees	0	0	270	270
Maintenance	50,000	50,000	25,179	(24,821)
Tools	2,000	2,000	1,996	(4)
Travel and training	500	500	0	(500)
Uniforms	3,500	3,500	3,925	425
Gas, oil and grease	27,000	27,000	33,649	6,649
Other operating supplies	13,000	13,000	15,066	2,066
	<u>827,979</u>	<u>827,979</u>	<u>785,758</u>	<u>(42,221)</u>
Rabies and animal control:				
Utilities	2,500	2,500	2,180	(320)
Operating supplies	2,000	2,000	1,004	(996)
	<u>4,500</u>	<u>4,500</u>	<u>3,184</u>	<u>(1,316)</u>
Economic development:				
Operating supplies	1,000	1,000	1,010	10
Travel and training	3,000	3,500	3,476	(24)
	<u>4,000</u>	<u>4,500</u>	<u>4,486</u>	<u>(14)</u>
Recreation:				
Salaries	267,750	267,750	276,338	8,588
OASDI	20,081	20,081	20,817	736
Retirement	17,239	17,239	18,012	773
Health insurance	56,613	56,613	56,666	53

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Dental, vision and life insurance	2,025	2,025	2,116	91
Unemployment insurance	1,000	1,000	126	(874)
Disability insurance	750	750	808	58
Utilities	47,000	47,000	42,143	(4,857)
Telephone	5,000	5,000	6,115	1,115
Medical services	750	750	855	105
Repairs and maintenance	12,500	15,500	11,653	(3,847)
Travel and training	1,500	1,500	2,969	1,469
Feeding prisoners	4,500	4,500	4,171	(329)
Publicity/subscriptions	500	500	165	(335)
Memberships and registration fees	800	800	890	90
Uniforms	1,500	1,500	1,552	52
Gas, oil and grease	8,000	8,000	8,249	249
Operating supplies	<u>17,300</u>	<u>17,300</u>	<u>16,902</u>	<u>(398)</u>
	464,808	467,808	470,546	2,738
Museum:				
Utilities	1,800	1,800	1,548	(252)
Repairs and maintenance	250	250	38	(212)
Operating supplies	<u>250</u>	<u>250</u>	<u>0</u>	<u>(250)</u>
	2,300	2,300	1,586	(714)
Tree grant:				
Utilities	3,000	3,000	2,066	(934)
Operating supplies	<u>1,000</u>	<u>1,000</u>	<u>1,327</u>	<u>327</u>
	4,000	4,000	3,393	(607)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Education:				
Gas, oil and grease	10,000	10,000	6,976	(3,024)
Operating supplies	<u>7,000</u>	<u>7,000</u>	<u>8,262</u>	<u>1,262</u>
	17,000	17,000	15,238	(1,762)
Capital outlay:				
Recreation	567,500	567,500	354,904	(212,596)
General government	200,000	200,000	107,850	(92,150)
Fire	0	0	19,535	19,535
Building inspections	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
	768,500	768,500	482,289	(286,211)
Debt service:				
Bond principal	444,744	444,744	211,045	(233,699)
Interest expense on bonds	<u>(158,834)</u>	<u>(158,834)</u>	<u>56,408</u>	<u>215,242</u>
	285,910	285,910	267,453	(18,457)
TOTAL EXPENDITURES	<u>6,786,368</u>	<u>6,900,015</u>	<u>6,257,632</u>	<u>(642,383)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	270,341	156,694	838,090	681,396

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES(USES)				
Transfer from proprietary funds	585,000	585,000	585,000	0
Transfer from economic development fund	46,944	46,944	0	(46,944)
Transfer from tourism fund	30,000	30,000	30,000	0
Transfer to library fund	(128,000)	(128,000)	(128,000)	0
Transfer to state street aid fund	0	0	(9,004)	(9,004)
Transfer to general purpose school fund	<u>(585,000)</u>	<u>(585,000)</u>	<u>(585,000)</u>	<u>0</u>
	<u>(51,056)</u>	<u>(51,056)</u>	<u>(107,004)</u>	<u>(55,948)</u>
NET CHANGE IN FUND BALANCE	219,285	105,638	731,086	(625,448)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>0</u>	<u>0</u>	<u>1,899,169</u>	<u>1,899,169</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 219,285</u>	<u>\$ 105,638</u>	<u>\$ 2,630,255</u>	<u>\$ 2,524,617</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND**

Year Ended June 30, 2020

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUE				
State gasoline tax	\$ 210,000	\$ 210,000	\$ 213,587	\$ 3,587
Safe routes to school grant	<u>300,000</u>	<u>300,000</u>	<u>737,632</u>	<u>437,632</u>
TOTAL REVENUE	510,000	510,000	951,219	441,219
EXPENDITURES				
Operating supplies	3,500	3,500	12,125	8,625
Construction materials and supplies	38,000	38,000	24,883	(13,117)
Sign parts and supplies	3,000	3,000	1,138	(1,862)
Vehicle maintenance and repair	8,000	8,000	1,861	(6,139)
Equipment maintenance and repair	16,000	16,000	9,449	(6,551)
Street maintenance and repairs	85,000	85,000	143,008	58,008
Capital outlay	<u>416,000</u>	<u>416,000</u>	<u>890,768</u>	<u>474,768</u>
TOTAL EXPENDITURES	<u>569,500</u>	<u>569,500</u>	<u>1,083,231</u>	<u>513,731</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(59,500)	(59,500)	(132,013)	(72,513)

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
OTHER FINANCING SOURCES				
Transfer from general fund	<u>0</u>	<u>0</u>	<u>(9,004)</u>	<u>(9,004)</u>
NET CHANGE IN FUND BALANCE	<u>(59,500)</u>	<u>(59,500)</u>	<u>(123,009)</u>	<u>(63,509)</u>
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>59,500</u>	<u>59,500</u>	<u>432,953</u>	<u>373,453</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 309,944</u>	<u>309,944</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG FUND**

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 7,600	\$ 7,600	\$ 8,274	\$ 674
Forfeitures	<u>10,000</u>	<u>10,000</u>	<u>19,966</u>	<u>9,966</u>
TOTAL REVENUE	17,600	17,600	28,240	10,640
EXPENDITURES				
Salaries	2,000	2,000	1,013	(987)
OASDI	0	0	75	75
Health insurance	0	0	153	153
Retirement	0	0	73	73
Life insurance	0	0	1	1
Disability insurance	0	0	2	2
Dental insurance	0	0	5	5
Professional services	100	100	0	(100)
Telephone	2,000	2,000	930	(1,070)
Operating supplies	1,500	1,500	5,951	4,451
Special investigation	7,500	7,500	2,128	(5,372)
Vehicle maintenance	1,500	1,500	0	(1,500)
Uniforms	500	500	0	(500)
Sundry	<u>2,500</u>	<u>2,500</u>	<u>3,262</u>	<u>762</u>
TOTAL EXPENDITURES	<u>17,600</u>	<u>17,600</u>	<u>13,593</u>	<u>(4,007)</u>
NET CHANGE IN FUND BALANCE	0	0	14,647	14,647

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
DRUG FUND

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>51,773</u>	<u>51,773</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,420</u>	<u>\$ 66,420</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL PURPOSE SCHOOL FUND**

Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUE				
Intergovernmental revenue:				
Monroe County:				
Property tax-current	\$ 1,110,000	\$ 1,110,000	\$ 1,228,318	\$ 118,318
Property tax-prior year	75,000	75,000	74,273	(727)
Interest and penalty	10,000	10,000	6,430	(3,570)
Pick-up taxes	3,000	3,000	0	(3,000)
Business taxes, licenses, fines and fees	30,200	30,200	39,761	9,561
Local sales tax	860,200	861,000	1,177,227	316,227
State income tax	13,000	13,000	7,124	(5,876)
Mixed drink tax	1,100	1,100	4,568	3,468
State revenue sharing	100,000	100,000	100,000	0
In-Lieu of tax payments-TVA	12,000	12,000	1,799	(10,201)
In-Lieu of tax payments-other	53,700	53,700	129,963	76,263
	<u>2,268,200</u>	<u>2,269,000</u>	<u>2,769,462</u>	<u>500,462</u>
State of Tennessee:				
Basic Education Program	8,208,000	8,207,400	8,209,000	1,600
Coordinated school health	87,000	87,000	86,994	(6)
Early childhood education	294,398	292,298	286,656	(5,642)
School food services	875	875	796	(79)
Career ladder program	38,086	38,086	36,905	(1,181)
Other state education	56,210	79,191	41,491	(37,700)
	<u>8,684,569</u>	<u>8,704,850</u>	<u>8,661,842</u>	<u>(43,008)</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL PURPOSE SCHOOL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other revenue:				
Tuition	8,000	8,000	8,480	480
Interest on investments	2,000	2,000	41,158	39,158
Contributions	0	9,459	9,484	25
Rental income	4,500	4,500	1,010	(3,490)
Insurance recovery	0	2,163	2,163	0
Other	23,957	23,957	15,532	(8,425)
	<u>38,457</u>	<u>50,079</u>	<u>77,826</u>	<u>27,747</u>
TOTAL REVENUE	10,991,226	11,023,929	11,509,130	485,201
EXPENDITURES				
General purpose:				
Salaries	7,299,730	7,295,357	7,119,148	(176,209)
OASDI	555,348	553,403	503,847	(49,556)
Retirement	734,367	735,454	660,066	(75,388)
Employee insurance	1,142,315	1,148,546	1,085,191	(63,355)
Instructional supplies/materials	195,551	195,191	177,871	(17,320)
Other supplies and materials	13,369	14,469	12,629	(1,840)
Other contracted services	445,220	447,229	389,922	(57,307)
Communication	32,365	32,365	24,707	(7,658)
Travel	21,750	21,750	10,424	(11,326)
Maintenance and repair	169,400	183,203	88,742	(94,461)
Equipment	100,450	100,450	92,479	(7,971)
In-service/staff development	12,775	16,655	8,773	(7,882)
Dues and memberships	10,820	10,820	9,473	(1,347)
Insurance	144,535	144,535	125,666	(18,869)
Trustee's commission	45,000	45,000	41,086	(3,914)
Utilities	412,000	412,000	335,287	(76,713)
Disposal fees	23,000	23,000	15,441	(7,559)
Custodial supplies	30,000	30,000	24,702	(5,298)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL PURPOSE SCHOOL FUND**

(continued)

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
Administrative equipment	6,000	6,000	831	(5,169)
Plant operation equipment	5,000	5,000	41	(4,959)
Gas and fuel	12,000	12,000	6,335	(5,665)
Internet connectivity	41,820	41,820	42,089	269
Other charges	<u>74,109</u>	<u>78,811</u>	<u>53,952</u>	<u>(24,859)</u>
	11,526,924	11,553,058	10,828,701	(724,357)
Capital outlay	310	34,676	91,492	56,816
Debt service:				
Bond principal	321,000	321,000	321,000	0
Interest expense on bonds	<u>165,281</u>	<u>165,281</u>	<u>122,105</u>	<u>(43,176)</u>
	<u>486,281</u>	<u>486,281</u>	<u>443,105</u>	<u>(43,176)</u>
TOTAL EXPENDITURES	<u>12,013,515</u>	<u>12,074,014</u>	<u>11,363,298</u>	<u>(710,716)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(1,022,289)	(1,050,086)	145,832	1,195,918
OTHER FINANCING SOURCES				
Transfer from general fund	<u>573,500</u>	<u>573,500</u>	<u>585,000</u>	<u>11,500</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL PURPOSE SCHOOL FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCE	(448,789)	(476,586)	730,832	1,207,418
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>448,789</u>	<u>476,586</u>	<u>5,616,575</u>	<u>5,139,989</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,347,407</u>	<u>\$ 6,347,407</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
SCHOOL CAFETERIA FUND**

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Student lunches	\$ 87,000	\$ 87,000	\$ 60,762	\$ (26,238)
Adult lunches	17,500	17,500	11,528	(5,972)
Breakfast	875	875	458	(417)
U.S.D.A. reimbursement	757,350	757,350	707,012	(50,338)
State matching funds	7,600	7,600	7,166	(434)
Student a-la-carte	33,000	33,000	25,710	(7,290)
Other income	2,319	2,319	2,273	(46)
TOTAL REVENUE	905,644	905,644	814,908	(90,736)
EXPENDITURES				
Labor	474,076	474,076	446,663	(27,413)
Food	294,498	294,498	294,803	305
Nonfood supplies and expenditures	108,600	108,600	86,871	(21,729)
TOTAL EXPENDITURES	877,174	877,174	828,337	(48,837)
NET CHANGE IN FUND BALANCE	28,470	28,470	(13,429)	(41,899)
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	0	191,116	191,116
FUND BALANCE AT THE END OF THE YEAR	\$ 28,470	\$ 28,470	\$ 177,687	\$ 149,217

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
SCHOOL FEDERAL PROJECT FUND**

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Federal grants	\$ 898,839	\$ 975,641	\$ 945,914	\$ (29,727)
EXPENDITURES				
Salaries	645,317	626,530	637,135	10,605
OASDI	44,630	43,262	42,888	(374)
Insurance	49,560	53,322	54,264	942
Retirement	36,437	37,631	36,575	(1,056)
Instructional supplies and materials	35,163	84,218	79,260	(4,958)
In-service/staff development	19,768	23,898	23,874	(24)
Contracts with other agencies	56,018	75,813	71,883	(3,930)
Other charges	<u>1,000</u>	<u>1,200</u>	<u>35</u>	<u>(1,165)</u>
TOTAL EXPENDITURES	<u>887,893</u>	<u>945,874</u>	<u>945,914</u>	<u>40</u>
NET CHANGE IN FUND BALANCE	10,946	29,767	0	(29,767)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 10,946</u>	<u>\$ 29,767</u>	<u>\$ 0</u>	<u>\$ (29,767)</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
SCHOOL CAPITAL PROJECT FUND**

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Other revenue:				
Interest on investments	\$ 10,000	\$ 10,000	\$ 8,503	\$ (1,497)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>65,282</u>	<u>65,282</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 73,785</u>	<u>\$ 63,785</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CURRENT ASSETS				
Cash	\$ 4,939,378	\$ 5,665,626	\$ 4,140,526	\$ 14,745,530
Interest bearing deposits in financial institutions	135,000	1,455,000	308,000	1,898,000
Accounts receivable:				
Customers, net of allowance for uncollectible accounts	1,894,869	0	0	1,894,869
Customer loan program	119,475	23,502	0	142,977
Interest	0	1,419	658	2,077
Other	139,916	0	1,387	141,303
Sweetwater Utilities Board				
Electric Department	0	45,951	0	45,951
Inventories:				
Stored gas	0	168,053	0	168,053
Materials and supplies	347,284	58,128	107,209	512,621
Prepaid expenses	<u>258,638</u>	<u>21,099</u>	<u>96,709</u>	<u>376,446</u>
	7,834,560	7,438,778	4,654,489	19,927,827

See the accompanying notes to the financial statements.

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 428,000	\$ 0	\$ 532,636	\$ 960,636
Current maturities of long-term debt due to Gas Department	45,951	0	0	45,951
Accounts payable	1,821,220	115,049	135,180	2,071,449
Customers' deposits	1,095,570	0	0	1,095,570
Accrued expenses	<u>560,986</u>	<u>145,985</u>	<u>427,075</u>	<u>1,134,046</u>
	3,951,727	261,034	1,094,891	5,307,652
NONCURRENT LIABILITIES				
Long-term debt, less current maturities	1,486,000	0	6,452,830	7,938,830
Long-term debt, less current maturities due to Gas Department	926,400	0	0	926,400
Net pension liability	<u>1,093,822</u>	<u>198,731</u>	<u>315,300</u>	<u>1,607,853</u>
	3,506,222	198,731	6,768,130	10,473,083
DEFERRED INFLOWS OF RESOURCES				
Deferred outflows related to pensions	228,166	41,454	65,770	335,390
Deferred outflows related to other postemployment benefits	<u>112,722</u>	<u>15,843</u>	<u>39,802</u>	<u>168,367</u>
	340,888	57,297	105,572	503,757

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
NONCURRENT ASSETS				
Accounts receivable:				
Customer loan program				
less allowance for				
doubtful accounts	683,276	0	0	683,276
Note receivable-customer loan				
program, less current				
maturities	0	145,522	0	145,522
Note receivable-				
City of Sweetwater	0	926,400	9,256	935,656
Other postemployment				
benefit asset	104,578	14,699	36,926	156,203
Designated assets:				
Renewal and replacement				
fund	267,000	300,000	257,000	824,000
Unemployment security				
fund	8,000	0	0	8,000
Self insurance fund	135,000	45,000	40,000	220,000
	<u>1,197,854</u>	<u>1,431,621</u>	<u>343,182</u>	<u>2,972,657</u>
CAPITAL ASSETS				
Utility Plan	42,530,736	5,002,270	27,280,517	74,813,523
Accumulated depreciation	<u>(20,894,519)</u>	<u>(2,336,056)</u>	<u>(8,869,346)</u>	<u>(32,099,921)</u>
	21,636,217	2,666,214	18,411,171	42,713,602
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows				
related to pensions	<u>1,928,884</u>	<u>349,009</u>	<u>550,382</u>	<u>2,828,275</u>
	<u>\$ 32,597,515</u>	<u>\$ 11,885,622</u>	<u>\$ 23,959,227</u>	<u>\$ 68,442,361</u>

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
NET POSITION				
Net investment in capital assets	19,722,217	2,666,214	11,425,705	33,814,136
Restricted for other postemployment benefits	104,578	14,699	36,926	156,203
Unrestricted	<u>4,971,883</u>	<u>8,687,647</u>	<u>4,528,003</u>	<u>18,187,533</u>
	<u>24,798,678</u>	<u>11,368,560</u>	<u>15,990,634</u>	<u>52,157,872</u>
	<u>\$ 32,597,515</u>	<u>\$ 11,885,622</u>	<u>\$ 23,959,227</u>	<u>\$ 68,442,361</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
OPERATING REVENUE				
Residential	\$ 11,631,146	\$ 486,446	\$ 2,169,630	\$ 14,287,222
Commercial and industrial	0	1,567,537	1,506,361	3,073,898
Schools	0	41,262	0	41,262
Fire protection	0	0	27,360	27,360
Miscellaneous	52,617	6,128	53,752	112,497
General power under 50KW	2,576,150	0	0	2,576,150
General power 50KW and over	8,881,406	0	0	8,881,406
Street and outdoor lighting	699,049	0	0	699,049
Customers' forfeited discounts	160,060	0	0	160,060
Rents from:				
Gas property	0	1,500	0	1,500
Electric property	503,045	0	0	503,045
Less provision for uncollectible accounts	<u>(60,000)</u>	<u>0</u>	<u>0</u>	<u>(60,000)</u>
	24,443,473	2,102,873	3,757,103	30,303,449
OPERATING EXPENSES				
Purchased power-TVA	18,227,870	0	0	18,227,870
Purchased gas	0	1,069,125	0	1,069,125
Purchased water	0	0	197,691	197,691
Operations	1,770,227	432,536	1,593,476	3,796,239
Maintenance	1,136,129	33,663	301,866	1,471,658
Depreciation	<u>1,326,219</u>	<u>112,518</u>	<u>676,300</u>	<u>2,115,037</u>
	<u>22,460,445</u>	<u>1,647,842</u>	<u>2,769,333</u>	<u>26,877,620</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
INCOME FROM OPERATIONS	1,983,028	455,031	987,770	3,425,829
OTHER INCOME(EXPENSE)				
Interest income	101,387	93,044	39,750	234,181
Purchase gas refunds	0	22,071	0	22,071
Interest expense	<u>(29,675)</u>	<u>0</u>	<u>(159,398)</u>	<u>(189,073)</u>
	<u>71,712</u>	<u>115,115</u>	<u>(119,648)</u>	<u>67,179</u>
INCOME BEFORE OTHER FINANCING (USES)	2,054,740	570,146	868,122	3,493,008
OTHER FINANCING (USES)				
Transfers to general fund	<u>(515,000)</u>	<u>(70,000)</u>	<u>0</u>	<u>(585,000)</u>
CHANGES IN NET POSITION	1,539,740	500,146	868,122	2,908,008
NET POSITION AT THE BEGINNING OF THE YEAR	<u>23,258,938</u>	<u>10,868,414</u>	<u>15,122,512</u>	<u>49,249,864</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 24,798,678</u>	<u>\$ 11,368,560</u>	<u>\$ 15,990,634</u>	<u>\$ 52,157,872</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Cash received				
from customers	\$ 24,619,128	\$ 2,102,873	\$ 3,761,684	\$ 30,483,685
Cash paid to suppliers	(20,336,201)	(1,318,521)	(1,580,692)	(23,235,414)
Cash paid to employees	<u>(1,272,842)</u>	<u>(225,333)</u>	<u>(862,540)</u>	<u>(2,360,715)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,010,085	559,019	1,318,452	4,887,556
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on				
customer deposits	(19,177)	0	0	(19,177)
Transfers-in-lieu of				
tax payments	<u>(515,000)</u>	<u>(70,000)</u>	<u>0</u>	<u>(585,000)</u>
NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(534,177)	(70,000)	0	(604,177)

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 (continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital related debt	(412,000)	0	0	(412,000)
Interest paid on capital related debt	(10,498)	0	0	(10,498)
Repayment of interdepartment loan	(45,267)	45,268	0	0
Interest paid on long-term debt	0	0	(159,398)	(159,398)
Principal payments on long-term debt	0	0	(508,337)	(508,337)
Acquisition and construction of capital assets	(2,223,951)	(213,903)	(805,845)	(3,243,699)
Gas equipment loans to customers	0	(44,444)	0	(44,444)
Repayment of gas equipment loans by customers	0	32,664	0	32,664
Proceeds from issuance of long-term debt	0	0	693,076	693,076
Cost of removing capital assets	(210,613)	(7,587)	(22,435)	(240,635)
Proceeds from disposal of capital assets	<u>491,825</u>	<u>122,809</u>	<u>115,715</u>	<u>730,349</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,410,504)	(65,193)	(687,224)	(3,162,922)

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY INVESTING ACTIVITIES				
Interest on deposits in financial institutions	104,775	93,691	39,981	238,447
Energy loans made to customers	(316,692)	0	0	(316,692)
Repayments of energy loans by customers	179,988	0	0	179,988
Purchases of certificates of deposit in financial institutions	(1,090,000)	(3,600,000)	(1,210,000)	(5,900,000)
Maturities of certificates of deposit in financial institutions	<u>1,090,000</u>	<u>3,600,000</u>	<u>1,210,000</u>	<u>5,900,000</u>
NET CASH (USED)PROVIDED BY INVESTING ACTIVITIES	<u>(31,929)</u>	<u>93,691</u>	<u>39,981</u>	<u>101,743</u>
NET INCREASE IN CASH	33,475	517,517	671,209	1,222,201
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,905,903</u>	<u>5,698,109</u>	<u>3,869,317</u>	<u>14,473,329</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,939,378</u>	<u>\$ 6,215,626</u>	<u>\$ 4,540,526</u>	<u>\$ 15,695,530</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Cash and temporary investments	\$ 4,939,378	\$ 5,665,626	\$ 4,140,526	\$ 14,745,530
Interest bearing deposits in financial institutions	135,000	1,455,000	308,000	1,898,000
Designated assets	<u>410,000</u>	<u>345,000</u>	<u>297,000</u>	<u>1,052,000</u>
	5,484,378	7,465,626	4,745,526	17,695,530
Less: long-term certificates of deposit	<u>(545,000)</u>	<u>(1,250,000)</u>	<u>(205,000)</u>	<u>(2,000,000)</u>
	<u>\$ 4,939,378</u>	<u>\$ 6,215,626</u>	<u>\$ 4,540,526</u>	<u>\$ 15,695,530</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Income from operations	\$ 1,983,028	\$ 455,031	\$ 987,770	\$ 3,425,829
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation, including amounts included in operating and maintenance expense accounts of \$58,399	1,357,868	135,922	679,646	2,173,436
Change in net pension liability	(686,520)	(98,079)	(204,313)	(988,912)
Change in net OPEB liability(asset)	7,203	(589)	5,757	12,371
Change in deferred outflows:				
Deferred cost of pension	4,819	24,811	104,046	133,676
Deferred cost of OPEB	(3,836)	1,130	(4,705)	(7,411)
Pension other deferrals	329,432	6,898	5,274	341,604
Purchase gas refund	0	22,071	0	22,071
(Increase)decrease in:				
Accounts receivable	189,028	0	4,582	193,610
Inventories	679	86,561	(18,062)	69,178

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Prepaid expenses	(11,610)	(5,135)	(2,726)	(19,471)
Increase(decrease) in:				
Accounts payable	(154,886)	(61,335)	(216,795)	(433,016)
Customer deposits	(13,370)	0	0	(13,370)
Accrued expenses	<u>8,250</u>	<u>(8,267)</u>	<u>(22,022)</u>	<u>(22,039)</u>
	<u>1,027,057</u>	<u>103,988</u>	<u>330,682</u>	<u>1,461,727</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,010,085</u>	<u>\$ 559,019</u>	<u>\$ 1,318,452</u>	<u>\$ 4,887,556</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Depreciation included in construction costs	\$ 50,557	\$ 16,536	\$ 10,953	\$ 78,046

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE A - DESCRIPTION OF ORGANIZATION

City of Sweetwater, Tennessee (the City) was incorporated in 1875. The City operates under an elected mayor and five-member Board of Commissioners form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, parks, recreation, public improvements, general administrative services and utilities.

Although the Sweetwater Board of Education (the Board of Education) and Sweetwater Utilities Board (the Utility) operate under separate governing boards, they are chartered under the City's Home Rule Charter and therefore they are not considered to be legally separate entities. The Utility's electric, gas and water and sewer operations and the Board of Education's school and cafeteria funds are considered to be funds of the City.

Complete financial statements for each of the Utility's departments may be obtained from the Sweetwater Utilities Board; P.O. Box 191; Sweetwater, TN 37874.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Sweetwater, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from City of Sweetwater, Tennessee. As of June 30, 2020 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all nonfiduciary activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Utility financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the City is October 1 of the ensuing fiscal year. Such taxes become delinquent on March 1. Property tax revenue is recognized when levied to the extent that they result in current receivables; that is if they are received within 60 days of the end of the fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous fiscal years. These property taxes receivable are presented on the governmental fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Monroe County Clerk and Master.

The City reports the following major governmental funds:

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

The *state street aid fund* is used to account for the City's share of motor vehicle fuel tax revenue that is legally restricted to the maintenance of streets within the City's boundaries

The *drug fund* is used to account for funds restricted for use in drug enforcement or drug awareness.

The *general purpose school fund* is the Board of Education's primary operating fund. It accounts for all financial resources of the Board of Education.

The *school cafeteria fund* is used to account for revenue legally restricted for providing food services to students.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

The *school federal project fund* is used to account for revenue legally restricted for federal projects of the Board of Education.

The *school capital project fund* is used to account for revenue legally restricted for capital projects of the Board of Education.

Additionally, the City reports the following nonmajor governmental funds:

The *home grant fund* is used to account for federal home grant funds received by the City.

The *economic development fund* is used to account for economic development funds held by the City.

The *capital project fund* is used to account for capital project funds received by the City.

The *library fund* is used to account for all revenue and expenditures of the library.

The *tourism fund* is used to account for privilege taxes restricted for economic and community development and tourism.

The City reports the following major proprietary funds:

The *electric fund* is used to account for activities of the electric department, which operates and maintains an electric distribution system for residents and businesses on a user charge basis.

The *natural gas fund* is used to account for activities of the natural gas department, which operates and maintains a natural gas distribution system for residents and businesses on a user charge basis.

The *water and sewer fund* is used to account for activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2020.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

The electric fund follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission where applicable. The electric fund, natural gas fund and water and sewer fund use accounting principles applicable to a similar private business enterprise, where the cost of providing services to the public on a continuing basis is recovered through user rates. These funds use the flow of economic resources measurement focus applied on the accrual basis of accounting. Except for customer billings, revenue is recorded when earned. Billings to customers are based on a monthly meter reading cycle. Any electric, gas, or water and sewer services rendered from the latest billing cycle date to the month end are unbilled and are not reflected in the financial statements. Unbilled revenue at June 30, 2020 for the electric fund, natural gas fund, and water and sewer fund was approximately \$624,700, \$20,800, and \$197,800, respectively.

The Utility distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with its principal and ongoing operations. The principal operating revenue is charges to customers for power sales and services, gas sales and services, and water and sewer sales and services. The Utility also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses of the Utility include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. When an expense is incurred for the purposes for which there are both restricted and unrestricted net position available, it is the Utility's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governmental entities that includes a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows. It requires that resources be classified for accounting reporting purposes into the following three net position groups: net investment in capital assets; restricted; and unrestricted.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets at June 30, 2020 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 45,137,495
Accumulated depreciation	(20,786,919)
Principal balance on long-term debt	<u>(7,027,501)</u>
	<u>\$ 17,323,075</u>

Business-Type Activities:

Electric Fund:

Capital assets	\$ 42,530,736
Accumulated depreciation	(20,894,519)
Principal balance on long-term debt	<u>(1,914,000)</u>
	<u>\$ 19,722,217</u>

Natural Gas Fund:

Capital assets	\$ 5,002,270
Accumulated depreciation	<u>(2,336,056)</u>
	<u>\$ 2,666,214</u>

Water and Sewer Fund:

Capital assets	\$ 27,280,517
Accumulated depreciation	(8,869,346)
Principal balance on long-term debt	<u>(6,985,466)</u>
	<u>\$ 11,425,705</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can either be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Net position of the general fund is restricted for pensions and special projects for which the City receives restricted donations. Net position of the state street aid fund is classified as restricted net position because its use is limited to street improvements. Net position of the drug fund is classified as restricted net position because its use is limited to drug enforcement. Net position of the home grant fund is classified as restricted net position because its use is limited to improvement of homes. Net position of the economic development fund is classified as restricted net position because its use is limited to projects related to economic development. The capital projects fund is classified as restricted net position because its use is limited to capital projects. Net position of the general purpose school fund is classified as restricted net position because its use is limited for pensions and for school use. Net position of the school cafeteria fund is classified as restricted net position because its use is limited to school cafeteria use. Net position of the school capital project fund is classified as restricted net position because its use is limited to school capital projects. Net position of the school federal project fund is classified as restricted net position because its use is limited to school federal projects. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that are not subject to externally imposed stipulations and that do not meet the definition of "Restricted" or "Net Investment in Capital Assets." Unrestricted net position may be designated for specific purposes by action of the Mayor and Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Board of Commissioners commits resources for specific purposes by passing ordinances.

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Commissioners.

Unassigned Fund Balance

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

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Inventories and Prepaid Items

Inventories of governmental funds are stated at cost, determined on the first-in, first-out method, and are stated at the lower of average cost or replacement value. Inventories of governmental funds are reported under the consumption method of accounting. Inventories of proprietary funds are valued at the lower of cost or market. Cost is determined by the average cost method. Proprietary fund inventories consist of expendable supplies held for consumption.

Prepaid items in both the government-wide and fund financial statements represent payments to vendors that reflect costs applicable to future periods.

Taxes

Municipal utilities are exempt from federal and state income taxes.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Depreciation on assets of the governmental activities is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years.

Buildings	40 to 50 years
Improvements	10 to 20 years
Electric distribution plant	15 to 30 years
Gas distribution plant	25 to 50 years
Water distribution and sewer collection plant	20 to 50 years
General plant	10 to 20 years
Vehicles and equipment	5 to 15 years
Infrastructure	25 to 30 years

In the business-type activities, capital assets consist of property, utility plant and equipment and are stated at cost, net of customers' direct contributions toward construction. Interest, if any, incurred during the construction is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Depreciation is computed using the straight-line method and the following rates based on the useful life of the asset:

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>
Electrical distribution	3.0-6.0%		
Facilities installation	7.5%		
Structures and improvements	5.0%	2.0-5.0%	2.0-5.0%
Equipment	3.0-12.0%	2.0-15.0%	4.0-10.0%
Office furniture and fixtures	6.0%	5.0%	5.0%

When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred; significant renewals and betterments are capitalized.

Compensated Absences

Employees of the City, who are not employed by the Board of Education or the Utility, are granted vacation and sick leave in varying amounts based on length of service. On June 30 of each year, unused vacation and sick leave are paid.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Salaries of the Board of Education employees include vacation pay due to the seasonal work year. Employees earn one sick day per month and two personal days per year, which are fully vested not subject to any maximum.

The Utility recognizes the cost of vacation pay and sick pay as it is earned. Employees are allowed to accumulate a maximum of one hundred and sixty-five sick leave days and benefits vest upon the earlier of an employee's death, attaining fifteen years of continuous service or reaching retirement.

Allowances for Uncollectible Accounts

Allowances for uncollectible accounts and taxes receivable are provided based upon historical trends. Allowances for uncollectible accounts at June 30, 2020 were as follows:

Governmental-Type Activities	
Accounts receivable	<u>\$ 31,000</u>
Business-Type Activities	
Accounts receivable, customers	\$ 40,799
Accounts receivable, customer loan program	<u>28,558</u>
	<u>\$ 69,357</u>

Use of 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Postemployment Benefits Other Than Pension (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB expense, information about the fiduciary net position of the Utility and additions to/deductions from the Utilities fiduciary net position have been determined on the same basis as they are reported by the Utility. For this purpose, the Utility recognizes benefits payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (in the government-wide statements), information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), the Teacher Legacy Pension Plan of the TCRS and the Teacher Retirement Plan of the TCRS and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan, the Teacher Legacy Pension Plan, and the Teacher 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 respective plan. Investments are reported at fair value.

Customer Loan Program

The Utility operates a program that provides interest-bearing loans (currently 6%) for energy efficient equipment and improvements not exceeding \$15,000 for periods not to exceed 120 months. The Utility also operates a program that provides interest-bearing loans (currently 6%) for energy conservation expenditures not exceeding \$15,000 for periods not to exceed 60 months. The balance of these loans made under the electric fund's programs at June 30, 2020, net of an allowance for uncollectible accounts of \$28,558, was \$683,276. The balance of the loans made under the natural gas fund's program at June 30, 2020 was \$169,024 with no allowance for uncollectible accounts reported.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE C - CASH AND INVESTMENTS

Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2020 were as follows:

Governmental Activities:

Cash on hand and in checking accounts	\$ 9,493,571
Certificate of deposit	<u>100,963</u>
	<u>\$ 9,594,534</u>

Business-Type Activities:

	<u>Unrestricted</u>	<u>Designated</u>	<u>Totals</u>
Cash on hand and in checking accounts	\$ 14,745,530	\$ 0	\$ 14,745,530
Interest-bearing deposits in financial institutions	<u>1,898,000</u>	<u>1,052,000</u>	<u>2,950,000</u>
Total cash and investments	<u>\$ 16,643,530</u>	<u>\$ 1,052,000</u>	<u>\$ 17,695,530</u>

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposits, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2020 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Deposits in financial institutions for the electric fund, natural gas fund and water and sewer fund consisted of the following at June 30, 2020:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Electric fund:			
Cash on hand and checking accounts	\$ 6,100		
Money market accounts	4,933,278	0.4%	
Certificate of deposit	100,000	1.00	October 30, 2020
Certificate of deposit	<u>445,000</u>	1.00	November 21, 2020
	<u>\$ 5,484,378</u>		

Natural gas fund:

Cash on hand and checking accounts	\$ 1,300		
Money market accounts	5,664,326	0.68%	
Certificate of deposit	100,000	1.00	December 20, 2020
Certificate of deposit	300,000	1.65	July 13, 2020
Certificate of deposit	300,000	1.65	August 4, 2020
Certificate of deposit	300,000	1.77	August 24, 2020
Certificate of deposit	550,000	1.74	August 31, 2020
Certificate of deposit	<u>250,000</u>	1.85	October 5, 2020
	<u>\$ 7,465,626</u>		

Water and sewer fund:

Cash on hand and checking accounts	\$ 1,800		
Money market accounts	4,138,726	0.48%	
Certificate of deposit	400,000	1.74	August 31, 2020
Certificate of deposit	150,000	1.00	October 30, 2020
Certificate of deposit	<u>55,000</u>	1.00	November 21, 2020
	<u>\$ 4,745,526</u>		

For purposes of the statement of cash flows, the Utility considers all highly liquid assets with an original maturity of three months or less to be cash equivalents.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

TCRS Stabilization Trust

Legal Provisions

The City is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The City 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 future retirement system contributions. Trust funds are not subject to the claims of general creditors of the City.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The City 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.

Investments are reported at fair. 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 of investments and interest and dividend income. Interest income is recognized when earned. 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, 2019, 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).

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

- 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 where fair value is measured using the Net Asset Value (NAV) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

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 so 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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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.

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, 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.

At June 30, 2020, the City had the following investments held by the TRGT on its behalf:

Asset Class	Percentage Target Allocations	Stabilization Trust Allocation
U.S. Equity	31%	\$ 10,858
Developed market international equity	12%	4,203
Emerging market international equity	6%	2,102
Private equity and strategic lending	20%	7,005
U.S. fixed income	20%	7,005
Real estate	10%	3,503
Short-term securities	<u>1%</u>	<u>350</u>
	<u>100%</u>	<u>\$ 35,025</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Investment by Fair Value Level	Fair Value 6/30/20	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. equity	\$ 10,858	\$ 10,858	\$ 0	\$ 0	\$ 0
Developed market international equity	4,203	4,203	0	0	0
Emerging market international equity	2,102	2,102	0	0	0
U.S fixed income	7,005	0	7,005	0	0
Real estate	3,503	0	0	3,503	0
Short-term securities	350	0	350	0	0
Private equity and strategic lending	<u>7,005</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,005</u>
Total	<u>\$ 35,025</u>	<u>\$ 17,163</u>	<u>\$ 7,355</u>	<u>\$ 3,503</u>	<u>\$ 7,005</u>

The TRGT'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 TRGT investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have the ability to limit TRGT investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have the ability to limit the credit ratings of individual investments made by the TRGT.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in one issuer.

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 TRGT agreement, investments are held in the name of the TRGT for the benefit of the City to pay retirement benefits of the City employees.

For further information concerning the City'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>

NOTE D - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (P.E. Partners) and pays an annual premium to P.E. Partners for its workers' compensation and general liability insurance coverage. The City carries commercial insurance for all other risks of loss including destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows P.E. Partners to make additional assessments or refund surplus revenue to the City. It is not possible to estimate the amount of such additional assessments or refunds, if any.

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The electric fund, natural gas fund and water and sewer fund insure themselves against potential losses associated with these risks through jointly purchased commercial insurance policies. There were no reductions in limits of liability or coverage of insurance policies in effect during the year ended June 30, 2020 from those in effect during the years ended June 30, 2019 and June 30, 2018. In addition, there have been no losses in excess of insurance coverage during the last three fiscal years.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE E - CAPITAL ASSETS

Governmental Activities:

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Balance 7/1/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/20</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 865,274	\$ 0	\$ 0	\$ 865,274
Construction in process	<u>3,784,581</u>	<u>1,255,638</u>	<u>(5,040,219)</u>	<u>0</u>
	4,649,855	1,255,638	(5,040,219)	865,274
<u>Capital assets being depreciated</u>				
Land and building improvements	27,376,095	3,361,460	0	30,737,555
Vehicles and equipment	7,072,662	103,056	0	7,175,718
Infrastructure	<u>4,574,332</u>	<u>1,784,615</u>	<u>0</u>	<u>6,358,947</u>
	39,023,089	5,249,131	0	44,272,220
<u>Accumulated depreciation</u>				
Land and building improvements	(11,903,941)	(744,880)	0	(12,648,821)
Vehicles and equipment	(5,821,484)	(290,239)	0	(6,111,723)
Infrastructure	<u>(1,873,976)</u>	<u>(152,399)</u>	<u>0</u>	<u>(2,026,375)</u>
	<u>(19,599,401)</u>	<u>(1,187,518)</u>	<u>0</u>	<u>(20,786,919)</u>
	<u>\$ 24,073,543</u>	<u>\$ 5,317,251</u>	<u>\$ (5,040,219)</u>	<u>\$ 24,350,575</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 255,311
Education	670,998
Public safety	120,300
Public welfare	65,421
Streets and highways	<u>75,489</u>
	<u>\$ 1,187,518</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

	<u>Balance</u> <u>7/1/19</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>6/30/20</u>
Business-Type Activities:				
Electric Fund				
Distribution plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 286,411	\$ 0	\$ 0	\$ 286,411
<u>Capital assets being depreciated</u>				
Electrical distribution system	34,688,425	914,604	(235,656)	35,367,373
Facilities installation	<u>887,490</u>	<u>11,177</u>	<u>(4,712)</u>	<u>893,955</u>
	35,862,326	925,781	(240,368)	36,547,739
General plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	41,019	0	0	41,019
<u>Capital assets being depreciated</u>				
Structures and improvements	769,147	1,279,727	(12,570)	2,036,304
Equipment	2,493,981	489,594	(441,864)	2,541,711
Office furniture and fixtures	<u>493,385</u>	<u>201,746</u>	<u>(258,209)</u>	<u>436,922</u>
	3,797,532	1,971,067	(712,643)	5,055,956
Construction work in progress	<u>1,549,382</u>	<u>1,464,612</u>	<u>(2,086,953)</u>	<u>927,041</u>
	<u>\$ 41,209,240</u>	<u>\$ 4,361,460</u>	<u>\$(3,039,964)</u>	<u>\$ 42,530,736</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Electrical distribution system	\$ (16,241,065)	\$(1,271,585)	\$ 399,956	\$ (17,112,694)
Facilities installation	<u>(873,137)</u>	<u>0</u>	<u>7,086</u>	<u>(866,051)</u>
	(17,114,202)	(1,271,585)	407,042	(17,978,745)
General plant:				
Structures and improvements	(743,205)	(16,994)	12,570	(747,629)
Equipment	(2,064,539)	(90,705)	(6,021)	(2,161,265)
Office furniture and fixtures	<u>(235,948)</u>	<u>(29,141)</u>	<u>258,209</u>	<u>(6,880)</u>
	<u>(3,043,692)</u>	<u>(136,840)</u>	<u>264,758</u>	<u>(2,915,774)</u>
	<u>\$ (20,157,894)</u>	<u>\$(1,408,425)</u>	<u>\$ 671,800</u>	<u>\$ (20,894,519)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

	<u>Balance 7/1/19</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 6/30/20</u>
Natural Gas Fund				
Distribution plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 5,059	\$ 0	\$ 0	\$ 5,059
<u>Capital assets being depreciated</u>				
Structures and improvements	32,998	0	0	32,998
Gas distribution system	<u>3,363,951</u>	<u>114,286</u>	<u>(8,037)</u>	<u>3,470,200</u>
	3,402,008	114,286	(8,037)	3,508,257
General plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	8,600	0	0	8,600
<u>Capital assets being depreciated</u>				
Equipment	393,161	1,094,803	(120,262)	1,367,702
Office furniture and fixtures	<u>22,686</u>	<u>2,885</u>	<u>(221)</u>	<u>25,350</u>
	424,447	1,097,688	(120,483)	1,401,652
Construction work in progress	<u>1,073,894</u>	<u>104,889</u>	<u>(1,086,422)</u>	<u>92,361</u>
	<u>\$ 4,900,349</u>	<u>\$ 1,316,863</u>	<u>\$ (1,214,942)</u>	<u>\$ 5,002,270</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Structures and improvements	\$ (20,257)	\$ 0	\$ 0	\$ (20,257)
Gas distribution system	<u>(2,013,311)</u>	<u>(101,623)</u>	<u>16,524</u>	<u>(2,098,410)</u>
	(2,033,568)	(101,623)	16,524	(2,118,667)
General plant:				
Equipment	(161,619)	(49,381)	(3,449)	(214,449)
Office furniture and fixtures	<u>(1,707)</u>	<u>(1,454)</u>	<u>221</u>	<u>(1,707)</u>
	<u>(163,326)</u>	<u>(50,835)</u>	<u>(3,228)</u>	<u>(217,389)</u>
	<u>\$ (2,196,894)</u>	<u>\$ (152,458)</u>	<u>\$ 13,296</u>	<u>\$ (2,336,056)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

	<u>Balance 7/1/19</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 6/30/20</u>
Water and Sewer Fund				
Water plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 38,188	\$ 0	\$ 0	\$ 38,188
<u>Capital assets being depreciated</u>				
Structures and improvements	9,918,668	1,013,793	(6,291)	10,926,170
Furniture and fixtures	53,026	7,698	(686)	60,038
Equipment	<u>2,049,874</u>	<u>242,643</u>	<u>(112,789)</u>	<u>2,179,728</u>
	12,059,756	1,264,134	(119,766)	13,204,124
Sewer plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	69,013	0	0	69,013
<u>Capital assets being depreciated</u>				
Structures and improvements	12,934,624	503,512	0	13,438,136
Equipment	<u>523,422</u>	<u>1,813</u>	<u>(8,423)</u>	<u>516,812</u>
	13,527,059	505,325	(8,423)	14,023,961
Construction work in progress	<u>1,005,091</u>	<u>676,028</u>	<u>(1,628,687)</u>	<u>52,432</u>
	<u>\$ 26,591,906</u>	<u>\$ 2,445,487</u>	<u>\$ (1,756,876)</u>	<u>\$ 27,280,517</u>
<u>Accumulated depreciation</u>				
Water plant:				
Structures and improvements	\$ (4,799,133)	\$ (261,428)	\$ 28,725	\$ (5,031,656)
Furniture and fixtures	(10,704)	(2,774)	686	(12,792)
Equipment	<u>(581,076)</u>	<u>(97,192)</u>	<u>(2,926)</u>	<u>(681,194)</u>
	(5,390,913)	(361,214)	26,485	(5,725,642)
Sewer plant:				
Structures and improvements	(2,504,937)	(310,171)	0	(2,815,108)
Equipment	<u>(317,805)</u>	<u>(19,214)</u>	<u>8,423</u>	<u>(328,596)</u>
	<u>(2,822,742)</u>	<u>(329,385)</u>	<u>8,423</u>	<u>(3,143,704)</u>
	<u>\$ (8,213,655)</u>	<u>\$ (690,599)</u>	<u>\$ 34,908</u>	<u>\$ (8,869,346)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Depreciation expense	\$ 1,326,219	\$ 112,518	\$ 676,300	\$ 2,115,037
Charged to clearing accounts and allocated to:				
Construction	50,557	16,536	10,953	78,046
Operating expense accounts	10,851	21,607	2,678	35,136
Maintenance expense accounts	<u>20,798</u>	<u>1,797</u>	<u>668</u>	<u>23,263</u>
	<u>\$ 1,408,425</u>	<u>\$ 152,458</u>	<u>\$ 690,599</u>	<u>\$ 2,251,482</u>

NOTE F - PENSION PLANS

Public Employee Retirement Plan

Plan Description

Employees 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 www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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. 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.

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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	104
Active employees	<u>120</u>
	<u>312</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions were \$235,682, based on an actuarial determined rate of 6.22%. The City elected to make additional contributions of \$29,043 for total pension contributions of \$264,725 in order to reduce the net pension liability. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost 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)

The City's 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.

Actuarial Assumptions

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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 SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Changes in Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Changes for the year ended June 30, 2019:			
Increase(decrease):			
Service cost	\$ 336,148	\$ 0	\$ 336,148
Interest	952,960	0	952,960
Differences between expected and actual experience	(323,444)	0	(323,444)
Contributions-employer	0	260,663	(260,663)
Contributions-employee	0	183,565	(183,565)
Net investment income	0	1,034,612	(1,034,612)
Benefit payments, including refunds of employee contributions	(507,345)	(507,345)	0
Administrative expense	<u>0</u>	<u>(10,147)</u>	<u>10,147</u>
Net changes for the year ended June 30, 2019	458,319	961,348	(503,029)
Balances at June 30, 2018	<u>13,061,801</u>	<u>13,931,565</u>	<u>(869,764)</u>
Balances at June 30, 2019	<u>\$ 13,520,120</u>	<u>\$ 14,892,913</u>	<u>\$ (1,372,793)</u>

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%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability(asset)	\$ 360,125	\$ (1,372,793)	\$ (2,817,004)

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Pension Expense

For the year ended June 30, 2020, the City recognized negative pension expense of \$48,413 in the government-wide statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,198	\$ 356,245
Net difference between projected and actual earnings on pension plan investments	0	171,251
Changes in assumptions	113,391	0
Contributions subsequent to the measurement date of June 30, 2019	<u>264,725</u>	<u>not applicable</u>
	<u>\$ 387,314</u>	<u>\$ 527,496</u>

The amount shown above from “contributions subsequent to the measurement date of June 30, 2019,” will be recognized as a reduction(increase) to the net pension liability(asset) in the following measurement period.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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

<u>Year Ending</u> <u>June 30:</u>	
2021	\$ (50,326)
2022	(169,434)
2023	(115,013)
2024	(70,135)
2025	0
Thereafter	0

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

Teacher Legacy Pension Plan

Plan Description

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service credit 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. Member and beneficiary annuitants are entitled to automatic 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 CPI during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. 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% 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 Board of Education for the year ended June 30, 2020 to the Teacher Legacy Plan were \$561,191 which is 10.63% 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 SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Pension Liability(Asset)

At June 30, 2020 the Board of Education reported an asset of \$1,642,943 for its proportionate share of net pension liability(asset). The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Board of Education's proportion of the net pension liability(asset) was based on the Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019 the Board of Education's proportion was 0.159791%. The proportion measured as of June 30, 2018 was 0.154529%.

Pension Expense

For the year ended June 30, 2020, the Board of Education recognized negative pension expense of \$222,694.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,991	\$ 1,003,542
Changes in assumptions	221,395	0
Net difference between projected and actual earnings on pension plan investments	0	469,420
Changes in proportion of Net Pension Liability(Asset)	25,665	15,063
Contributions subsequent to the measurement date of June 30, 2019	<u>561,191</u>	<u>not applicable</u>
	<u>\$ 888,242</u>	<u>\$ 1,488,025</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

The Board of Education employer contributions of \$561,191, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability(asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30:</u>	
2021	\$ (331,789)
2022	(465,430)
2023	(207,079)
2024	(156,677)
2025	0
Thereafter	0

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

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

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 SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the 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 the Board of Education's proportionate share of the net pension liability(asset) calculated using the discount rate of 7.25%, as well as what the Board of Education's 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability(asset)	\$ 3,359,343	\$ (1,642,943)	\$ (5,622,122)

Pension Plan Fiduciary Net Position

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Teacher Retirement Plan

Plan Description

Teachers with membership in the TCRS before July 1, 2014 of the Board of Education 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 LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/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. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic 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 CPI during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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 the law. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the TCRS 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%, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2019 to the Teacher Retirement Plan were \$19,254, which is 2.03% of covered payroll. The employer rate, 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 Asset

At June 30, 2020, the Board of Education reported an asset of \$40,764 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension assets used to calculate the net pension asset was determined by an actuarial value as of that date. The Board of Education's proportion of the net pension asset was based on the Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, the Board of Education's proportion was .072214%. The proportion measured as of June 30, 2018 was .075200%.

Pension Expense

For the year ended June 30, 2020, the Board of Education recognized pension expense (negative pension expense) of \$12,682.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,690	\$ 7,116
Net difference between projected and actual earnings on pension plan investments	0	1,723
Changes in assumptions	1,416	0
Changes in proportion of Net Pension Liability(asset)	1,259	2,344
Contributions subsequent to the measurement date of June 30, 2019	<u>19,254</u>	<u>not applicable</u>
	<u>\$ 23,619</u>	<u>\$ 11,183</u>

The Board of Education's employer contributions of \$37,317, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	
2021	\$ (975)
2022	(1,239)
2023	(755)
2024	(509)
2025	(439)
Thereafter	(2,901)

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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

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%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation from each major asset class are summarized in the following table:

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the 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 the Board of Education's proportionate share of the net pension liability(asset) calculated using the discount rate of 7.25%, as well as what the Board of Education's 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%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Proportionate share of the net pension liability(asset)	\$ 12,916	\$ (40,764)	\$ (80,443)

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Pension Plan Fiduciary Net Position

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

Teacher Retirement Defined Contribution Plan

Teachers who participate in the Teacher Retirement Plan described in Note E, are also covered by a separate defined contribution 401(k) plan administered by the State of Tennessee. Employees are not required to contribute to the plan, employers are required to contribute 5% of employee compensation. Participants are immediately invested in the plan. The City's employer contributions to the state administered 401(k) plan were \$47,424 for the year ended June 30, 2020.

The Utility Public Employee Retirement Plan

Plan Description

The Utility, together with the Sweetwater Utilities Board Electric and Gas Departments, has the Sweetwater Utilities Board Defined Benefit Pension Plan (the Plan), a single-employer defined benefit pension plan. The Utility amended the Plan to close the Plan to employees hired or rehired on or after January 1, 2012. Benefits provisions were established by a resolution of the Utility's Board of Directors. The Board of Directors reserves the authority to amend provisions of the Plan, which is administered by the Sweetwater Utility Board.

Although the Plan has fewer than 100 employees, since the Utility Board of Directors administers the Plan it was determined that under new reporting requirements for the defined benefit plans that the Plan should be audited. An audit of the Plan occurred for the latest Plan year of December 31, 2019. The fiduciary fund reporting for the Plan will be included in the financial statements of the City of Sweetwater, Tennessee for the year ending June 30, 2020.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Benefits Provided

Full-time employees hired prior to January 1, 2012 attaining the age of 19 and with one year of employment are eligible to become members of the Plan. The Plan provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the employee's compensation for the Plan year prior to the employee's normal retirement and years of service. Utility employees who retire at or after age 62 with 17 years of credited service are entitled to an annual retirement benefit, payable for life, in an amount equal to 55 percent of monthly compensation for the plan year prior to the employee's normal retirement date. Retirement benefits for employees who retire with less than 6 years of service are prorated according to a formula based on years of service.

Employee membership data related to the Plan as of the measurement date of January 1, 2020, was as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to but not yet receiving benefits	4
Active plan member	<u>28</u>
	<u>41</u>

Contributions

The Plan is contributory whereby employees are required to contribute 5% (effective July 1, 2015 increased from 3%) of earnable compensation, and the employer is responsible for the remaining contribution. For the plan year ended December 31, 2019, the Utility's required contribution of \$343,259 (19,85% of covered payroll) is an actuarially determined amount sufficient to amortize the unfunded actuarial accrued liability and fund employer normal cost. There is no legal or contractual maximum contribution rate. Both the contribution requirements of Plan members and the Utility are established and may be amended by the Utility's Board of Directors.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Annual Required Contribution Trend Information

Fiscal Year	Required Contribution				% Contributed
	Water and Sewer	Electric	Gas	Total	
2015	61,016	250,952	58,496	370,464	105.37%
2016	89,689	361,321	52,293	503,303	274.11%
2017	88,117	336,120	48,505	472,742	226.70%
2018	96,911	258,173	52,965	408,049	125.47%
2019	40,814	244,815	71,452	357,081	219.02%
2020	67,307	233,506	42,447	343,259	183.58%

Net Pension Liability

The Utility's net pension liability was measured as of January 1, 2020, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0%
Investment rate of return	5.5%
Mortality	RP 2014 Healthy Annuitant Mortality Table using MP-2019 mortality improvements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Stocks	7.00%	50%
Bonds	3.00%	50%

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Discount Rate

The discount rate used to measure the total pension liability was 5.50%. This single rate is the long-term expected rate of return (5.50%). The projected cash flows used to determine the discount rate assumed employee contributions will be made at the current contribution rate and the Plan contributions will be made at the greater of the current rate and the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected benefit payments. Therefore, the long-term expected rate of return on pension plan investment was applied to periods of projected benefit payments.

Funded Status

The funded status of the Plan as of the most recent valuation date is as follows (dollar amounts are in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	% of Covered Payroll ((b-a)/c)
1/1/19	\$ 6,480	\$ 8,359	\$ 1,879	77.52%	\$ 1,716	109.49%
1/1/19	5,674	7,954	2,280	71.34%	1,729	131.82%
1/1/18	4,962	7,490	2,528	66.25%	1,670	151.43%
1/1/17	4,837	7,789	2,952	62.10%	1,971	149.81%
1/1/16	3,752	7,403	3,651	50.68%	1,967	185.62%
1/1/15	2,777	6,911	4,134	40.18%	1,996	207.16%

The schedule above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Changes for the year ended December 31, 2019:			
Increase(decrease):			
Service cost	\$ 88,944	\$ 0	\$ 88,944
Interest	442,329	0	442,329
Difference between expected and actual experience	107,417	0	107,417
Changes in assumptions	(23,727)	0	(23,727)
Contributions-employer	0	630,164	(630,164)
Contributions-employees	0	91,800	(91,800)
Net investment income	0	922,849	(922,849)
Benefit payments, including refunds of employee contributions	(209,770)	(209,770)	0
Adjustment for change in employee contributions	0	(5,643)	5,643
Administrative expenses	0	(32,295)	32,295
Net changes for the year ended December 31, 2019	405,193	1,394,105	(988,912)
Balances at December 31, 2018	7,953,407	5,356,642	2,596,765
Balances at December 31, 2019	<u>\$ 8,358,600</u>	<u>\$ 6,750,747</u>	<u>\$ 1,607,853</u>

<u>Department</u>	Net Pension Liability 12/31/2018	Net Changes	Net Pension Liability 12/31/2019
Electric	\$ 1,780,342	\$ (686,520)	\$ 1,093,822
Gas	296,810	(98,079)	198,731
Water and sewer	519,613	(204,313)	315,300
	<u>\$ 2,596,765</u>	<u>\$ (988,912)</u>	<u>\$ 1,607,853</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 5.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net pension liability	\$ 3,011,865	\$ 1,607,853	\$ 480,240

Pension Expense

For the plan year ended December 31, 2019, the Plan recognized pension income as follows (including adjustments for change in allocation percentages between departments):

<u>Department</u>	<u>Pension Expense</u>
Electric	\$ 265,918
Gas	48,313
Water and sewer	76,652
	<u>\$ 390,884</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the Plan reported the following 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>
Difference between expected and actual experience	\$ 670,794	\$ 100,948
Changes in assumptions	1,944,990	104,340
Net difference between projected and actual earnings on plan investments	<u>0</u>	<u>130,102</u>
Totals	<u>\$ 2,615,784</u>	<u>\$ 335,390</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

At June 30, 2020, the Utility reported deferred outflows of resources related to the Plan from the following sources:

Contributions subsequent to the measurement date of January 1, 2020:	<u>\$ 212,496</u>
<u>Department</u>	
Electric	\$ 149,388
Gas	25,698
Water and Sewer	<u>37,410</u>
	<u>\$ 212,496</u>

The amount shown above for contributions subsequent to the measurement date of January 1, 2020, will be recognized as a reduction of the net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as increases in pension expense as follows:

<u>Year Ending</u>	
<u>June 30:</u>	
2021	\$ (51,554)
2022	(51,554)
2023	(14,947)
2024	(112,223)
2025	15,385
Thereafter	2,707,783

Within this table, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2002

The deferred outflows of resources and deferred inflows of resources for the Utility are as follows as of June 30, 2020:

<u>Department</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 1,928,884	\$ 228,166
Gas	349,009	41,454
Water and sewer	<u>550,385</u>	<u>65,770</u>
	<u>\$ 2,828,280</u>	<u>\$ 335,390</u>

Payable to the Pension Plan

At June 30, 2020 the Utility did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2020 since all contributions were paid prior to year-end.

Defined Contribution Pension Plan

Plan Description

The Utility adopted the Sweetwater Utilities Board 401(a) Defined Contribution Retirement Plan (401(a) Plan) effective January 1, 2012, for all eligible employees hired or rehired on or after January 1, 2012. The 401(a) Plan is administered by the Trust Company of Knoxville (the Trust Co.). Each participant has an individual account with the Trust Co. into which all contributions flow. The participants are offered various investment options through the plan and are allowed to invest moneys in their account, at their own discretion, among the options. The Utility may amend, modify, or terminate the 401(a) Plan, upon approval of such amendment, modification, or termination by the Utility's Board of Directors (the Board), provided that no amendment or modification shall reduce the account balances of any participant accrued to the date of the change.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

All full-time employees attaining the age of 18 and with six months of employment are eligible to become members of the 401(a) Plan. The 401(a) Plan defines the employee contributions and Utility's matching contributions at 5% each. The Utility's contributions for each participating employee are fully vested after five years. Utility contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Utility's obligation to contribute. During the year ended June 30, 2020, the payroll for employees covered under the 401(a) Plan was \$830,102 and the Utility contributed \$41,505 to this Plan on behalf of its employees which approximate 5% of eligible payroll.

Deferred Compensation Plan

Plan Description

The Utility adopted the Sweetwater Utilities Board 457(b) Deferred Compensation Plan (457(b) Plan) effective January 1, 2012. All employees attaining the age of 18 are eligible to become members of the 457(b) Plan. The 457(b) Plan allows employees to defer a portion of their current salary (up to \$18,500) until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

The Board has full power and authority to adopt rules and regulations for the administration of the 457(b) Plan. The Board contracts with providers to manage the investment of plan assets and for selecting the plan investment options. Additionally, the Board reviews and approves withdrawals, terminations and benefit payments.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Closed Teacher Group Other Postemployment Benefits Plan

Plan Description

Employees of the City, 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 multi-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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Benefits Provided

The City offers the TGOP to provide health insurance coverage to eligible pre-65 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 Section 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 State of Tennessee, 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. The 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 the City were covered by the benefit terms of the TGOP.

Inactive employees currently receiving benefit payments	11
Active employees	<u>133</u>
	<u>144</u>

An insurance committee, created in accordance with TCA Section 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 TGOP are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to TGOP participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the City paid \$65,977 to the TGOP for OPEB benefits as they came due.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.5%. 5.2% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.5%.
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 TCRS. These assumptions were developed by the TCRS based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experiences. 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 Participation 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 Revenue 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%. 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 shows on the Bond Buyer 20-year Municipal GO AA index.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Changes in Collective Total OPEB Liability

	Total OPEB Liability <u>(a)</u>
Changes for the year:	
Service cost	\$ 83,973
Interest	66,684
Differences between expected and actual experience	254,623
Change in assumptions	(159,370)
Benefit payments	<u>(111,062)</u>
Net changes	134,848
Total OPEB liability – beginning balance	<u>1,813,177</u>
Total OPEB liability – ending balance	<u>\$ 1,948,025</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 706,177
Employer’s proportionate share of the collective total OPEB liability	\$ 1,241,848
Employer’s proportion of the collective total OPEB liability	63.75%

The City has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The City’s 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 -0.70% from the prior measurement date. The City recognized \$41,406 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for City retirees.

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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Change in the Discount Rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as 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:

	<u>1% Decrease</u> 2.51%	<u>Discount Rate</u> 3.51%	<u>1% Increase</u> 4.51%
Proportionate share of collective total OPEB liability	\$ 1,326,167	\$ 1,241,848	\$ 1,160,867

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Change 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 the healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u> (5.03%/4.20% decreasing to 3.50%)	<u>Current</u> <u>Discount Rate</u> (6.03%/5.20% decreasing to 4.50%)	<u>1% Increase</u> (7.03%/6.20% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 1,121,969	\$ 1,241,848	\$ 1,380,888

OPEB Expense

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$121,897.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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 the OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 142,476	\$ 171,963
Changes in assumptions	28,196	131,347
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of certain amounts paid by the employer and nonemployer contributors as the benefits came due	36,822	15,262
Employer payments subsequent to the measurement date	<u>65,977</u>	<u>0</u>
	<u>\$ 273,471</u>	<u>\$ 318,572</u>

The amount 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.

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

Year Ending	
<u>June 30:</u>	
2021	\$ (15,551)
2022	(15,551)
2023	(15,551)
2024	(15,551)
2025	(15,551)
Thereafter	(33,323)

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Closed Tennessee Plan

Plan Description

Employees of the City, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple multi-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 government 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 TNP does not include pharmacy. In accordance with TCA Section 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA Sections 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 received a benefit from the TCRS 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. The State of Tennessee, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of LEAs 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 SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Employees Covered by Benefit Terms

At July 1, 2019, the following employees of the City were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefit payments	11
Active employees	<u>102</u>
	<u>131</u>

In accordance with TCA Section 8-27-209, the state insurance committees established by TCA Sections 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the TNP by member employers and employees. Claims liabilities of the TNP are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to TNP participants. Employers contribute towards employee costs based on their own developed policies.

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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 TCRS. These assumptions were developed by the TCRS based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experiences. 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 Participation 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 Revenue 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%. 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 shows on the Bond Buyer 20-year Municipal GO AA index.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Changes in Collective Total OPEB Liability

	Total OPEB Liability <u>(a)</u>
Changes for the year:	
Service cost	\$ 6,710,000
Interest	9,782,000
Differences between expected and actual experience	31,556,000
Change in assumptions	6,881,000
Benefit payments	<u>(8,946,000)</u>
Net changes	45,983,000
Total OPEB liability – beginning balance	<u>267,949,000</u>
Total OPEB liability – ending balance	<u>\$ 313,932,000</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 313,932,000
Employer’s proportionate share of the collective total OPEB liability	\$ 0
Employer’s proportion of the collective total OPEB liability	0%

The City has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The City’s proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.00% from the prior measurement date.

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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Utility's Other Postemployment Benefits Plan

Plan Description

The Utility's Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit healthcare plan that is administered by the Utility and covers retired employees of the Utility and their spouses. The OPEB Plan provides for the payment of a portion of the health insurance premiums for eligible retired employees. The Board of Directors reserves the authority to amend provisions of the OPEB Plan. Because the OPEB Plan has fewer than 100 employees, it does not issue audited financial statements.

Benefits Provided

The Utility provides health insurance benefits for retirees until they become eligible for Medicare coverage on a pay-as-you go basis. The plan type is a fully insured Medical, Vision, Dental and Life Insurance Plan. Retirees are eligible at age 62 until Medicare eligible. The Utility pays 100% of the premium for the employee benefit. Spouses and surviving spouses are also allowed to be covered under the OPEB Plan but at no cost to the Utility. The life insurance benefit has a \$15,000 face amount as long as the employee retires after January 1, 2006.

Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Active plan members	<u>52</u>
	<u>53</u>

Contributions

The Board of Directors reserves the authority to determine the level of contributions the Utility will make to the OPEB Plan for the purpose of financing the postemployment benefits accrued by its respective employees. For the year ended June 30, 2020, the Utilities average contribution rate was 6% of covered employee payroll. Employees are not required to contribute to the OPEB Plan.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS
(continued)

June 30, 2020

Net OPEB Liability

The Utility's net OPEB Plan liability was measured as of July 1, 2018 and the total OPEB liability used to calculate the net OPEB Plan liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB Plan liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary increases	3%
Investment rate of return	5.5%
Healthcare cost trend rates	6% for 2020 and 2021; 5.5% for 2022 and 2023; ultimately decreasing to a rate of 5% for 2024 and later years for Medical costs; 3% for 2020 and later years for dental costs

Mortality rates were based on the RP 2014 Employee Mortality Table projected for mortality improvements using the MP-2018 table.

The actuarial assumptions used in the July 1, 2016 valuations were based on the results of an actuarial experience study of the mortality and withdrawal rates used by the TCRS July 1, 2015 Actuarial Report.

The long-term expected rate of return on OPEB Plan investments were based on the investment return experience of the OPEB Plan trust fund over the past six years. The future rate of return is expected to be the same as the historical average rate of return of approximately 5.5%. The OPEB Plan trust fund current asset mix is approximately 45% in equities and 55% in fixed income cash.

Discount Rate

The discount rate used to measure the total OPEB Plan liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that the Utility's contributions will be equal to the expected benefit payments less investment income each year. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB Plan payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB Plan liability.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Changes in Net OPEB Plan Liability

	Total OPEB Plan Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Plan Liability(Asset) (a)-(b)
Changes for the year ended June 30, 2020:			
Increase(decrease):			
Service cost	\$ 3,370	\$ 0	\$ 3,370
Interest	9,000	0	9,000
Difference between expected and actual experience	0	0	0
Changes of assumption	0	0	0
Net investment income	<u>0</u>	<u>0</u>	<u>0</u>
Net changes for the year ended June 30, 2020	12,370	0	12,370
Balances at June 30, 2019	<u>160,266</u>	<u>328,839</u>	<u>(168,573)</u>
Balances at June 30, 2020	<u>\$ 172,636</u>	<u>\$ 328,839</u>	<u>\$ (156,203)</u>

<u>Department</u>	Net Pension Liability 6/30/2019	Net Changes	Net Pension Liability 6/30/2020
Electric	\$ (111,780)	\$ 7,202	\$ (104,578)
Gas	(14,110)	(589)	(14,699)
Water and sewer	<u>(42,683)</u>	<u>5,757</u>	<u>(36,926)</u>
	<u>\$ (168,573)</u>	<u>\$ 12,370</u>	<u>\$ (156,203)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Sensitivity of the Net OPEB Plan Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB Plan liability (asset) of the OPEB Plan, calculated using the discount rate of 5.50%, as well as what the OPEB Plan's net OPEB Plan liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Plan liability (asset)	\$ (136,430)	\$ (156,203)	\$ (172,947)

Sensitivity of the Net OPEB Plan Liability (Asset) to Changes in the Healthcare Cost Trend Rates

	1% Decrease 5.5%-4.5%	Current Discount Rate 6.5%-5.5%	1% Increase 7.5%-6.5%
Net OPEB liability (asset)	\$ (175,461)	\$ (156,203)	\$ (131,891)

OPEB Plan Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB Plan

For the year ended June 30, 2020 the Utility recognized OPEB Plan expense of \$19,781.

<u>Department</u>	
Electric	\$ 13,243
Gas	1,861
Water and sewer	<u>4,676</u>
	<u>\$ 19,781</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

At June 30, 2020, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB Plan from the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,812
Changes in assumptions	161,244
Net difference between projected and actual earnings on plan investments	<u>311</u>
Total	<u>\$ 168,367</u>

The deferred inflows of resources for the Utility, together with the Sweetwater Utilities Board Water and Sewer and Electric Departments are as follows as of June 30, 2020:

<u>Department</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 112,722
Gas	15,843
Water and sewer	<u>39,802</u>
	<u>\$ 168,367</u>

Payable to the OPEB Plan

At June 30, 2020 the Utility did not report a payable for any outstanding amount of employer contributions to the OPEB Plan required for the year ended June 30, 2020 since all contributions were paid prior to year-end.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE I - LONG-TERM DEBT

Long-term debt at June 30, 2020 consisted of the following:

Governmental Activities:

Adjustable rate Pooled Financing Revenue Bonds, Series 2001 issued through the Tennessee Municipal Bond Fund, payable in annual installments through May 2030.	\$ 2,816,000
2.00% revolving loan agreement with the Tennessee Local Development Authority, payable in monthly installments of \$9,256 through January 2029.	883,001
2.86% loan agreement with Tennessee Municipal Bond Fund, payable in annual installment of varying amounts with interest payable in semi-annual installments through 2031.	923,900
Ford Motor Credit lease purchase agreement, payable in annual installments through May 2021	52,600
Adjustable rate Local Government Loan Program Bonds, Series 2017, payable in annual installments through 2042.	<u>2,352,000</u>
	7,027,501
Less current maturities	<u>(549,872)</u>
	<u>\$ 6,477,629</u>

The taxing authority of the City is pledged for the repayment of the principal and interest maturities of long-term debt. Events of default under the bonds and loan agreements include but are not limited to: (1) failure to make principal payments when due and payable and (2) failure to make installment of interest payments. In the event of default, if the City is unable to remedy, outstanding amounts may become due and payable in full by declaration of the fiscal agent or the holders.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Business-Type Activities:

Adjustable rate note through the Public Building Authority of Montgomery County, Tennessee, payable in annual installments through May 2025. The interest rate at June 30, 2019 was 2.07%	\$ 1,914,000
2.13% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest totaling \$3,429 through November 2026.	246,581
3.80% loan agreement with the Tennessee Municipal Bond Fund payable in quarterly interest payments and annual principal payments through April 2030.	3,370,000
Adjustable rate note through the Sweetwater Utilities Board Gas Department, payable in monthly interest payments and annual principal payments through November 2038. The interest rate at June 30, 2019 was 1.50%	972,351
Water and Sewer Revenue and Tax Bond Anticipation Notes, Series 2017, 2.625% interest rate	1,387,842
0.99% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest Totaling \$8,422 through June 2036.	1,494,828
2.45% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest totaling \$6,303 through June 2027.	<u>486,215</u>
	9,871,817
Less current maturities	<u>(1,006,587)</u>
	<u>\$ 8,865,230</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

In October 2005 the electric fund entered into a \$7,000,000 adjustable rate loan agreement with the Public Building Authority of Montgomery County, Tennessee in order to finance construction and improvement of the electrical system. Principal is payable annually through May 2025. Interest is payable monthly at a variable rate (2.70% at June 30, 2020) that adjusts with the interest rate of the adjustable rate bonds issued by the Public Building Authority of Montgomery County, Tennessee to fund the loan. In addition, the electric fund is required to pay monthly remarketing, letter of credit, and trustee fees. During the year ended June 30, 2020 interest and fees paid totaled \$44,625 and \$16,137, respectively.

Proceeds of the loan were placed into a trust fund and were to be drawn against as construction costs were incurred. As of December 2013, the Electric Department determined that the remaining unspent loan proceeds were no longer needed and paid them against the outstanding loan principal in addition to the scheduled annual principle payment.

In November 2019 the Electric Department entered into a \$1,040,000 adjustable rate loan agreement with the Gas Department to fund its portion of the new administrative building. Principal is payable annually through November 2038. Interest is payable monthly at a variable rate (1.50% at June 30, 2020) that adjusts annually based on the best bid for like funds for a period of twelve months plus .5%. Interest paid during the year totaled \$19,135.

In 2004 the Water and Sewer Department entered into a revolving loan agreement with the Tennessee Local Development Authority to provide funding for a wastewater facility project. The Utility borrowed \$669,562 under the agreement and began making monthly debt service payments in December 2006. The loan agreement calls for monthly payments of \$3,429, including interest at 2.13%, to be made through November 2026.

In 2004 the Water and Sewer Department entered into a revolving loan agreement with the Tennessee Local Development Authority to provide funding for a wastewater facility project. The Utility borrowed \$1,194,994 under the agreement and began making monthly debt service payments in July 2007. The loan agreement calls for monthly payments of \$6,303, including interest at 2.45% to be made through June 2027.

In February 2006 the Water and Sewer Department entered into a revolving loan agreement with the Tennessee Local Development Authority to serve as a conduit for a \$2,000,000 loan to finance improvements to the City's storm water system. Because the City will fund all debt service payments, the debt and the related capital assets of the project are reflected in the governmental funds' financial statements rather than in the Water and Sewer Department's financial statements. The City reimburses the Water and Sewer Department for the monthly debt service payments of \$9,256.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

In April 2010 the Water and Sewer Department entered into a loan agreement administered by the Tennessee Municipal Bond Fund to provide funding for a new wastewater treatment plant. The Utility borrowed \$6,500,000 under the agreement and began making debt service payments in June 2010. The loan agreement calls for quarterly interest payments at a current rate of 2.51%, to be adjusted by the bank on each subsequent seven-year loan adjustment date, as well as annual principal payments to be made through April 2030.

In 2015 the Water and Sewer Department entered into a revolving loan agreement with the Tennessee Local Development Authority to provide funding for a new water treatment plant improvement project. The Utility borrowed in total \$2,444,000 under the agreement, \$611,000 of which was forgiven under the agreement. The Utility began making monthly debt service payments in July 2016. The loan agreement calls for monthly payments of \$8,422, including interest at .99% to be made through June 2036.

During the year ending June 30, 2019, the Water and Sewer Department issued four Water and Sewer Revenue and Tax Bond Anticipation Notes totaling \$706,924 to finance the construction of water and sewer system improvements and extensions for the Water and Sewer Department with interest cost of 2.625%. From July 2019 through November 2019, additional such notes totaling \$693,076 were issued for a total of \$1,400,000 in Water and Sewer Revenue and Tax Bond Anticipation Notes. These anticipation notes were retired in November 2019 with the issuance of Series 2017 Water and Sewer Revenue Tax Bonds. These bonds were issued to provide permanent financing for the construction of water and sewer system improvements and extensions for the Water and Sewer Department. The permanent loan agreement (bonds) call for monthly payments of \$4,788 including interest at 2.625%, to be made through November 2059.

During the year ended June 30, 2019, the Utility's debt service coverage ratio was 3.11. The Utility is required to maintain a minimum debt service coverage ratio of 1.20 by the State Revolving Loan Fund.

The Utility's bond anticipation note is subject to a covenant requiring the Utility to use proceeds from the impending issuance of bonds to repay the note balance. If the Utility fails to comply with the above covenant, then the full balance of the note may become immediately due and payable. The note holder may require the Utility to surrender assets sufficient to repay the note balance as of the day of default. The Utility is not in violation of this covenant at June 30, 2020.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

The bonds and revolving loan agreements are subject to customary covenants restricting the Utility from, among other things: (1) selling or leasing or otherwise disposing of components of the Electric System except in certain circumstances, and (2) providing a copy of the annual audited financial statements. Additionally, the Utility is required to: (1) charge and collect rates, fees and charges to meet the cash flow requirements of the organization, (2) maintain the Electric System including completing necessary improvements, (3) maintain its tax-exempt status, and (4) maintain sufficient insurance coverage.

Events of default under the bonds and revolving loan agreements include but are not limited to: (1) failure to make principal payments when due and payable and (2) failure to make installment of interest payments. In the event of default, if the Utility is unable to remedy, outstanding amounts may become due and payable by declaration of the fiscal agent or the holders. The Utility is not in violation of any covenants at June 30, 2020.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Maturities of long-term debt as of June 30, 2020 are as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 549,872	\$ 86,308	\$ 636,180
2022	510,868	75,287	586,155
2023	525,512	68,016	593,528
2024	538,192	60,534	598,726
2025	553,008	52,869	605,877
2026	567,872	44,977	612,849
2027	583,672	36,887	620,559
2028	599,720	28,561	628,281
2029	577,485	20,461	597,946
2030	519,000	13,003	532,003
2031	198,300	6,264	204,564
2032	107,000	3,232	110,232
2033	109,000	2,938	111,938
2034	111,000	2,638	113,638
2035	114,000	2,330	116,330
2036	116,000	2,017	118,017
2037	118,000	1,698	119,698
2038	121,000	1,372	122,372
2039	123,000	1,040	124,040
2040	126,000	699	126,699
2041	128,000	354	128,354
2042	<u>131,000</u>	<u>177</u>	<u>131,177</u>
	<u>\$ 7,027,501</u>	<u>\$ 511,660</u>	<u>\$ 7,539,161</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Business-Type Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 1,006,587	\$ 174,387	\$ 1,180,974
2022	1,040,086	159,190	1,199,276
2023	1,075,672	143,409	1,219,081
2024	1,112,355	127,280	1,239,635
2025	745,124	110,728	855,852
2026	668,005	118,312	786,317
2027	663,942	80,883	744,825
2028	589,470	67,419	656,889
2029	579,845	54,577	634,422
2030	174,261	44,481	218,742
2031	176,719	42,023	218,742
2032	179,208	39,534	218,742
2033	181,741	37,001	218,742
2034	184,318	34,424	218,742
2035	186,940	31,802	218,742
2036	189,537	29,141	218,678
2037	90,779	26,899	117,678
2038	92,522	25,156	117,678
2039	64,095	23,470	87,565
2040	35,022	22,434	57,456
2041	35,952	21,504	57,456
2042	36,907	20,549	57,456
2043	37,888	19,568	57,456
2044	38,895	18,561	57,456
2045	39,928	17,528	57,456
2046	40,989	16,467	57,456
2047	42,078	15,378	57,456

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Business-Type Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2048	43,196	14,260	57,456
2049	44,343	13,113	57,456
2050	45,521	11,935	57,456
2051	46,731	10,725	57,456
2052	47,972	9,484	57,456
2053	49,247	8,209	57,456
2054	50,555	6,901	57,456
2055	51,899	5,557	57,456
2056	53,277	4,179	57,456
2057	54,693	2,763	57,456
2058	56,146	1,310	57,456
2059	<u>19,372</u>	<u>108</u>	<u>19,480</u>
	<u>\$ 9,871,817</u>	<u>\$ 1,488,238</u>	<u>\$ 11,360,055</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

Changes in long-term debt for the year ended June 30, 2020 were as follows:

	<u>Balance</u> <u>7/1/19</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/20</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental</u>					
<u>Activities:</u>					
Tennessee Municipal Bond, Series 2001	\$ 3,053,000	\$ 0	\$ (237,000)	\$ 2,816,000	\$ 244,000
Tennessee Municipal Bond Loan	995,200	0	(71,300)	923,900	73,000
Tennessee Municipal Bond, Series 2017	2,436,000	0	(84,000)	2,352,000	86,000
Tennessee Local Development Authority	973,817	0	(90,816)	883,001	94,272
Ford Motor Credit	<u>101,529</u>	<u>0</u>	<u>(48,929)</u>	<u>52,600</u>	<u>52,600</u>
	<u>\$ 7,559,546</u>	<u>\$ 0</u>	<u>\$ (532,045)</u>	<u>\$ 7,027,501</u>	<u>\$ 549,872</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

	<u>Balance</u> <u>7/1/19</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/20</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type</u>					
<u>Activities:</u>					
Revolving loan agreements	\$ 2,411,803	\$ 0	\$ (184,179)	\$ 2,227,624	\$ 187,356
Water and Sewer Revenue tax bonds	0	1,400,000	(12,158)	1,387,842	21,280
Bond Anticipation Notes	706,927	693,076	(1,400,000)	0	0
Interdepartment loan Gas Department	1,017,620	0	(45,268)	972,351	45,951
Tennessee Municipal Bonds	3,682,000	0	(312,000)	3,370,000	324,000
Adjustable rate loan	<u>2,326,000</u>	<u>0</u>	<u>(412,000)</u>	<u>1,914,000</u>	<u>428,000</u>
	<u>\$ 10,144,347</u>	<u>\$ 2,093,076</u>	<u>\$ (2,365,605)</u>	<u>\$ 9,871,817</u>	<u>\$ 1,006,587</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE J - INTERFUND TRANSFERS

Transfers during the year ended June 30, 2020 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	General purpose school fund	\$ 585,000
Tourism fund	General fund	30,000
General fund	Library fund	128,000
General fund	State street aid fund	9,004
Electric fund	General fund	515,000
Capital project fund	Home grant fund	1,554
Natural gas fund	General fund	70,000

Transfers were for operating funds.

NOTE K - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2020, resulting from short-term advances for shared costs, were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Water and sewer fund	General fund	\$ 9,256
General purpose school fund	Cafeteria fund	26,678

On December 12, 2018 the Gas Department loaned \$1,040,000 to the Electric Department to assist in the funding of the new administrative building. The Electric Department will repay the loan over twenty years. The initial interest rate is 1.5% and is reevaluated annually based on the best bid for like funds for a period of twelve months plus .5%. Interest is paid monthly and principal payments are paid annually. The balance of the note receivable at June 30, 2020 was \$972,352 (\$45,951 current and \$926,400 long-term).

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE L - CONTRACT WITH TENNESSEE VALLEY AUTHORITY

The Utility has a power contract with Tennessee Valley Authority (TVA) whereby the electric department purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract.

NOTE M - LEASED FACILITIES

In the past the Utility has rented office space and other facilities under operating leases that were negotiated annually. However, during the current year the Utility completed construction on its new administrative building and warehouse. Both were placed in to service thus eliminating the Utility's need to rent those spaces. Total rental expense for the year ended June 30, 2020 amounted to \$3,600 for the electric fund, \$1,200 for the natural gas fund and \$1,200 for the water and sewer fund.

NOTE N - PREPAID EXPENSES

Prepaid expenses at June 30, 2020 for the electric fund included the following:

Prepaid power	\$ 82,545
Prepaid insurance	<u>176,093</u>
	<u>\$ 258,638</u>

The Utility prepays its monthly power bill by placing excess funds on deposit with TVA. Interest is earned on the deposited funds at a variable rate (0.7% at June 30, 2020).

NOTE O - CONCENTRATION OF CREDIT RISK

The Utility sells electric power, gas and water and sewer services on credit terms, to industrial, commercial and residential customers located in and around the City.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE P - RESTRICTED NET POSITION

At June 30, 2020 restricted net position consisted of the following:

Special projects	\$ 87,136
Street improvements	309,944
Pension	3,056,500
Drug enforcement	66,420
Capital projects	73,785
Economic development	152,032
Library	48,709
Tourism	28,794
Other postemployment benefits	156,203
School general purpose	6,347,407
School cafeteria	<u>177,687</u>
	<u>\$ 10,504,617</u>

NOTE Q - SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 7, 2021 the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

NOTE R - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2020, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Amount</u>
School federal project fund	\$ 40
State street aid fun	513,731
Economic development fund	44
Tourism fund	23,002

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

NOTE S - FUND DEFICIT

There was a fund deficit of \$11,316 in the Home Grant Fund.

NOTE T – PRIOR PERIOD ADJUSTMENT

Fund balance and net position at June 30, 2019 have been restated to record additional accounts receivable and to record the liability for other postemployment benefits.

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance at June 30, 2019, as originally stated	\$ 1,669,188	\$ 27,121,659
Additional accounts receivable	229,980	229,980
Record net OPEB liability and related deferred outflows and inflows	<u>0</u>	<u>(1,272,435)</u>
Fund balance at June 30, 2019, as restated	<u>\$ 1,899,169</u>	<u>\$ 26,079,205</u>

The adjustment to record accounts receivable resulted in an increase to the net change in fund balance and an increase in change in net position of \$229,980 for the year ended June 30, 2019. The adjustment to record the OPEB liability and related deferred outflows and inflows resulted in an increase in OPEB expense in the prior year of \$128,346, resulting in a reduction in change in net position of the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET) AND RELATED RATIOS

June 30, 2020

<u>Public Employee Retirement Plan</u>	Measurement Date at June 30, 2019
<u>Total pension liability</u>	
Service cost	\$ 336,148
Interest	952,960
Differences between actual and expected experience	(323,444)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(507,345)
Net change in total pension liability	458,319
Total pension liability - beginning	13,061,801
Total pension liability - ending (a)	13,520,120
 <u>Plan fiduciary net position</u>	
Contributions - employer	260,663
Contributions - employee	183,565
Net investment income	1,034,612
Benefit payments, including refunds of employee contributions	(507,345)
Other	0
Administrative expense	(10,147)
Net change in plan fiduciary net position	961,348
Plan fiduciary net position - beginning	13,931,565
Plan fiduciary net position - ending (b)	14,892,913
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ (1,372,793)</u>
 Plan fiduciary net position as a percentage of total net pension liability	 110.15%
 Covered employee payroll	 \$ 3,671,305
 Net pension liability(asset) as a percentage of covered employee payroll	 -37.39%

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. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See the accompanying independent accountants' audit report.

Measurement Date at June 30,				
2018	2017	2016	2015	2014
\$ 346,953	\$ 316,083	\$ 299,541	\$ 287,486	\$ 296,695
905,739	868,904	813,938	774,676	770,383
(88,962)	(110,280)	45,982	(94,420)	(530,018)
0	283,479	0	0	0
(495,849)	(467,127)	(419,121)	(493,492)	(447,729)
667,881	891,059	740,340	474,250	89,331
12,393,920	11,502,861	10,762,521	10,288,271	10,198,940
13,061,801	12,393,920	11,502,861	10,762,521	10,288,271
267,355	260,806	247,646	228,652	229,464
180,917	184,038	174,676	161,811	159,450
1,070,026	1,316,795	300,458	340,147	1,585,280
(495,849)	(467,127)	(419,121)	(493,492)	(447,729)
0	0	9,815	0	0
(11,280)	(10,244)	(8,847)	(5,479)	(4,503)
1,011,169	1,284,268	304,627	231,639	1,521,962
12,920,396	11,636,128	11,331,501	11,099,862	9,577,900
13,931,565	12,920,396	11,636,128	11,331,501	11,099,862
<u>\$ (869,764)</u>	<u>\$ (526,476)</u>	<u>\$ (133,267)</u>	<u>\$ (568,980)</u>	<u>\$ (811,591)</u>
106.66%	104.25%	101.16%	105.29%	107.89%
\$ 3,765,565	\$ 3,673,327	\$ 3,487,971	\$ 3,220,453	\$ 3,173,767
-23.10%	14.33%	3.82%	17.67%	25.57%

Changes of Assumptions

During the year ended June 30, 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.

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET) AND RELATED RATIOS
(continued)

June 30, 2020

<i>The Utility Public Employee Retirement Plan</i>	Measurement Date at June 30, 2019
<u>Total pension liability</u>	
Service cost	\$ 88,944
Interest	442,329
Differences between actual and expected experience	107,417
Change of assumptions	(23,727)
Benefit payments, including refunds of employee contributions	(209,770)
Net change in total pension liability	405,193
Total pension liability - beginning	7,953,407
Total pension liability - ending (a)	8,358,600
 <u>Plan fiduciary net position</u>	
Contributions - employer	630,164
Contributions - employee	91,800
Net investment income	922,849
Benefit payments, including refunds of employee contributions	(209,770)
Adjustment for change in employee voluntary contributions	(5,643)
Administrative expense	(35,295)
Net change in plan fiduciary net position	1,394,105
Plan fiduciary net position - beginning	5,356,642
Plan fiduciary net position - ending (b)	6,750,747
 Net pension liability(asset) - ending (a) - (b)	 \$ 1,607,853
 Plan fiduciary net position as a percentage of total net pension liability	 80.76%
 Covered employee payroll	 \$ 1,715,962
 Net pension liability(asset) as a percentage of covered employee payroll	 93.70%

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.

	Measurement Date at June 30,				
	2018	2017	2016	2015	2014
\$	85,545	\$ 128,423	\$ 138,489	\$ 139,439	\$ 78,729
	416,673	435,459	414,800	370,178	421,798
	298,170	(94,592)	130,073	214,376	(27,444)
	(21,327)	(26,692)	(44,461)	370,994	1,771,993
	(315,975)	(741,306)	(253,204)	(603,236)	(878,736)
	463,086	(298,708)	385,697	491,751	1,366,340
	7,490,321	7,789,029	7,403,332	6,911,581	5,545,241
	7,953,407	7,490,321	7,789,029	7,403,332	6,911,581
	782,078	511,997	1,071,730	1,379,585	390,344
	104,257	97,059	98,460	78,137	56,224
	(267,766)	540,938	132,746	(45,586)	134,539
	(315,975)	(741,306)	(253,204)	(603,236)	(878,736)
	23,269	(9,077)	(3,930)	0	0
	(32,378)	(27,903)	(21,365)	(20,501)	(20,498)
	293,485	371,708	1,024,437	788,399	(318,127)
	5,063,157	4,691,449	3,667,012	2,878,613	3,196,740
	5,356,642	5,063,157	4,691,449	3,667,012	2,878,613
\$	2,596,765	\$2,427,164	\$3,097,580	\$3,736,320	\$4,032,968
	67.35%	32.40%	39.77%	50.47%	58.35%
\$	1,729,267	\$1,669,868	\$1,970,574	\$1,967,078	\$1,995,740
	150.17%	145.35%	157.19%	189.94%	202.08%

CITY OF SWEETWATER, TENNESSEE

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

June 30, 2020

Teacher Legacy Pension Plan

	Measurement date at June 30,			
	2019	2018	2017	2016
Proportion of the net pension liability (asset)	\$ (1,642,943)	\$ (543,773)	\$ (49,798)	\$ 941,846
Proportionate share of the net pension liability (asset)	0.159791%	0.154529%	0.152207%	0.150709%
Covered employee payroll	\$ 5,358,028	\$ 5,411,099	\$ 5,380,434	\$ 5,440,279
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(30.66)%	(10.05)%	(.93)%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	104.28%	101.49%	100.14%	97.14%

See the accompanying independent accountants' audit report.

Measurement date at June 30,
2015 2014

\$ 61,343 \$ (23,265)

0.014975% 0.014317%

\$ 5,605,879 \$ 5,619,511

1.09% (.14)%

99.81% 100.08%

CITY OF SWEETWATER, TENNESSEE

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

(continued)

June 30, 2020

Teacher Retirement Plan

	Measurement date at June 30,			
	2019	2018	2017	2016
Proportion of the net pension liability (asset)	\$ (40,764)	\$ (34,105)	\$ (19,422)	\$ (5,479)
Proportionate share of the net pension liability (asset)	0.072214%	0.075200%	0.073608%	0.052629%
Covered employee payroll	\$ 764,181	\$ 657,161	\$ 483,122	\$ 231,568
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(5.33)%	(5.19)%	(4.02)%	(2.37)%
Plan fiduciary net position as a percentage of the total pension liability	123.07%	126.97%	126.81%	121.88%

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. Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Measurement date at June 30,
2015 2014

\$ (2,112) \$ 0

0.052487% 0.00%

\$ 109,054 \$ 0

(1.94)% 0.00%

127.46% 0.00%

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET OPEB LIABILITY(ASSET) AND RELATED RATIOS

June 30, 2020

<u>Utility Employee OPEB Plan</u>	Measurement Date at June 30, 2020
<u>Total OPEB liability</u>	
Service cost	\$ 3,370
Interest	9,000
Differences between actual and expected experience	0
Changes in assumptions	0
Net change in total OPEB liability	<u>12,370</u>
Total OPEB liability - beginning	<u>160,266</u>
Total OPEB liability - ending (a)	<u>172,636</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	0
Net investment income	0
Net change in plan fiduciary net position	<u>0</u>
Plan fiduciary net position - beginning	<u>328,839</u>
Plan fiduciary net position - ending (b)	<u>328,839</u>
 Net pension liability(asset) - ending (a) - (b)	 <u><u>\$ (156,203)</u></u>
 Plan fiduciary net position as a percentage of total net pension liability	 190.48%
 Covered employee payroll	 \$ 2,846,863
 Net pension liability(asset) as a percentage of covered employee payroll	 -5.49%

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 the accompanying independent accountants' audit report

Measurement Date at June 30,

2019	2018	2017
\$ 3,552	\$ 11,723	\$ 12,009
8,355	17,910	16,926
(7,404)	(11,855)	(10,773)
<u>(175,266)</u>	<u>0</u>	<u>0</u>
(170,763)	17,778	18,162
<u>331,029</u>	<u>313,251</u>	<u>295,089</u>
160,266	331,029	313,251
0	0	36,000
<u>17,669</u>	<u>16,188</u>	<u>24,247</u>
17,669	16,188	60,247
<u>311,170</u>	<u>294,982</u>	<u>234,735</u>
<u>328,839</u>	<u>311,170</u>	<u>294,982</u>
<u>\$ (168,573)</u>	<u>\$ 19,859</u>	<u>\$ 18,269</u>
205.18%	60.82%	52.78%
\$ 2,791,042	\$2,683,606	\$2,593,392
-6.04%	0.74%	0.70%

CITY OF SWEETWATER, TENNESSEE

**CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE
OPEB LIABILITY AND RELATED RATIOS**

June 30, 2020

<u>Teacher Group OPEB Plan</u>	Measurement Date at June 30, 2019
<u>Total OPEB liability</u>	
Service cost	\$ 83,973
Interest	66,684
Differences between actual and expected experience	254,623
Changes in assumptions	(159,370)
Benefit payments	(111,062)
Net change in total OPEB liability	134,848
Total OPEB liability - beginning	1,813,177
Total OPEB liability - ending (a)	1,948,025
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 706,177
Employer's proportionate share of the collective total OPEB liability	\$ 1,241,848
Covered employee payroll	\$ 5,626,745
Employer's proportionate share of the collective total OPEB liability as a percentage of covered employee payroll	22.07%

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.

See the accompanying independent accountants' audit report

Measurement
Date at June 30,
2020

\$ 94,945
73,806
(341,681)
56,023
(96,374)

(213,281)
2,026,458

1,813,177

\$ 644,568

\$ 1,168,609

\$ 5,841,765

20.00%

CITY OF SWEETWATER, TENNESSEE

**CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE
OPEB LIABILITY AND RELATED RATIOS**

(continued)

June 30, 2020

<u>Closed Tennessee Plan</u>	<u>Measurement Date at June 30, 2019</u>
<u>Total OPEB liability</u>	
Service cost	\$ 6,710,000
Interest	9,782,000
Differences between actual and expected experience	31,556,000
Changes in assumptions	6,881,000
Benefit payments	<u>(8,946,000)</u>
Net change in total OPEB liability	45,983,000
Total OPEB liability - beginning	<u>267,949,000</u>
Total OPEB liability - ending (a)	<u>313,932,000</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 313,932,000
Employer's proportionate share of the collective total OPEB liability	\$ -
Covered employee payroll	\$ 671,363
Employer's proportionate share of the collective total OPEB liability as a percentage of covered employee payroll	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.

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.

See the accompanying independent accountants' audit report

Measurement
Date at June 30,
2018

\$ 7,554,000
10,874,000
(41,345,000)
(2,335,000)
(9,379,000)

(34,631,000)
302,580,000

267,949,000

\$267,949,000

\$ -

\$ 529,175

0.00%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2020

Public Employee Retirement Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 235,682	\$ 241,940	\$ 267,355
Contributions in relation to the actuarially determined contributions	<u>(264,725)</u>	<u>(260,663)</u>	<u>(267,355)</u>
Contributions deficiency(excess)	<u>\$ (29,043)</u>	<u>\$ (18,723)</u>	<u>\$ 0</u>
Covered employee payroll	\$ 3,789,096	\$ 3,671,305	\$ 3,781,918
Contributions as a percentage of covered employee payroll	6.22%	7.10%	7.10%

Teacher Legacy Pension Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 561,191	\$ 560,450	\$ 491,327
Contributions in relation to the contractually required contributions	<u>(561,191)</u>	<u>(560,450)</u>	<u>(491,327)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 5,279,320	\$ 5,358,028	\$ 5,411,099
Contributions as a percentage of covered employee payroll	10.63%	10.46%	9.08%

See the accompanying independent accountants' audit report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 260,806	\$ 247,646	\$ 228,544	\$ 229,464
<u>(260,806)</u>	<u>(247,646)</u>	<u>(228,544)</u>	<u>(229,464)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,673,327	\$ 3,487,971	\$ 3,220,453	\$ 3,173,767
7.10%	7.10%	7.10%	7.23%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 485,399	\$ 491,801	\$ 506,773	\$ 499,013
<u>(485,399)</u>	<u>(491,801)</u>	<u>(506,773)</u>	<u>(499,013)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,367,444	\$ 5,440,729	\$ 5,605,879	\$ 5,619,517
9.04%	9.04%	9.04%	8.88%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

(continued)

June 30, 2020

Teacher Retirement Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 19,254	\$ 14,825	\$ 10,717
Contributions in relation to the actuarially determined contributions	<u>(19,254)</u>	<u>(14,825)</u>	<u>(26,286)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (15,569)</u>
Covered employee payroll	\$ 948,481	\$ 764,181	\$ 652,067
Contributions as a percentage of covered employee payroll	2.03%	1.94%	1.64%

Utility Public Employee Retirement Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 343,259	\$ 357,081	\$ 408,049
Contributions in relation to the contractually required contributions	<u>(630,164)</u>	<u>(782,078)</u>	<u>(511,997)</u>
Contributions deficiency(excess)	<u>\$ (286,905)</u>	<u>\$ (424,997)</u>	<u>\$ (103,948)</u>
Covered employee payroll	\$ 1,715,962	\$ 1,729,267	\$ 1,669,868
Contributions as a percentage of covered employee payroll	36.72%	45.23%	30.66%

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 19,767	\$ 5,797	\$ 2,726
<u>(19,767)</u>	<u>(9,263)</u>	<u>(4,362)</u>
<u>\$ 0</u>	<u>\$ (3,466)</u>	<u>\$ (1,636)</u>
\$ 494,112	\$ 231,568	\$ 109,054
4.00%	4.00%	4.00%

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 472,742	\$ 503,303	\$ 370,464
<u>(1,071,730)</u>	<u>(1,379,585)</u>	<u>(390,344)</u>
<u>\$ (598,988)</u>	<u>\$ (876,282)</u>	<u>\$ (19,880)</u>
\$ 1,970,574	\$ 1,967,078	\$ 1,995,740
54.39%	70.13%	19.56%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

(continued)

June 30, 2020

Utility Employee OPEB Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 10,921	\$ 10,730	\$ 38,762
Contributions in relation to the actuarially determined contributions	<u>(10,921)</u>	<u>(10,730)</u>	<u>(38,762)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,846,863	\$ 2,791,042	\$ 2,683,606
Contributions as a percentage of covered employee payroll	-0.42%	-0.38%	1.44%

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. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

2017

\$ 1,680

(1,680)

\$ 0

\$ 2,593,392

0.06%

CITY OF SWEETWATER, TENNESSEE

NOTES TO PENSION CONTRIBUTIONS

June 30, 2020

Public Employee Retirement Plan

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2020 were calculated based on the June 30, 2018 actuarial valuation.

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% corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including and adjustment for some anticipated improvement
Cost of living adjustments	2.25%

Changes of Assumptions

In 2017 the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased 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.

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

NOTES TO PENSION CONTRIBUTIONS

(continued)

June 30, 2020

Utility Public Employee Retirement Plan

Valuation Date - Actuarially determined contribution rates for 2020 were calculated based on the January 1, 2020 actuarial valuation.

Actuarial cost method	Frozen initial liability – entry age normal cost
Amortization method	Level percentage, closed (not to exceed 30 years)
Remaining amortization period	17 years
Asset valuation	5-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	3.0%
Investment rate of return	5.5%
Retirement age	62
Mortality	RH 2014 Healthy Annuitant Mortality Table using MP-2019 mortality improvements

Utility Employee OPEB Plan

Valuation Date - Actuarially determined contribution rates for 2020 were calculated based on the July 1, 2018 actuarial valuation.

Actuarial cost method	Entry age normal
Amortization method	Year level dollar
Remaining amortization period	17 years
Asset valuation	Market value
Inflation	3.0%
Salary increases	3.0%
Investment rate of return	5.5%
Retirement age	62
Mortality	RP 2014 Employee Mortality Table projected for mortality improvements using the MP-2019 Table

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Library Fund</u>
ASSETS				
Cash and temporary investments	<u>\$ 162,484</u>	<u>\$ 152,032</u>	<u>\$ 0</u>	<u>\$ 49,039</u>
LIABILITIES				
Accounts payable	\$ 173,800	\$ 0	\$ 0	\$ 330
FUND BALANCES				
Unrestricted	(11,316)	0	0	0
Assigned	0	0	0	48,709
Restricted	<u>0</u>	<u>152,032</u>	<u>0</u>	<u>0</u>
	<u>(11,316)</u>	<u>152,032</u>	<u>0</u>	<u>48,709</u>
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 162,484</u>	<u>\$ 152,032</u>	<u>\$ 0</u>	<u>\$ 49,039</u>

See the accompanying independent accountants' audit report.

<u>Tourism Fund</u>	<u>Totals</u>
\$ 28,794	\$ 392,349
\$ 0	\$ 174,130
0	(11,316)
0	48,709
<u>28,794</u>	<u>180,826</u>
<u>28,794</u>	<u>218,219</u>
 \$ 28,794	 \$ 392,349

CITY OF SWEETWATER, TENNESSEE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Library Fund</u>
REVENUE				
Daily collections	\$ 0	\$ 0	\$ 0	\$ 5,967
Contributions	0	0	0	62,720
Occupancy tax	0	0	0	0
Grants	264,450	0	0	0
Interest	<u>0</u>	<u>37</u>	<u>0</u>	<u>0</u>
TOTAL REVENUE	264,450	37	0	68,687
EXPENDITURES				
Personnel	0	0	0	129,834
OASDI	0	0	0	9,932
Unemployment insurance	0	0	0	244
Buildings and grounds	0	0	0	3,245
Telephone	0	0	0	1,029
Utilities	0	0	0	9,777
Supplies	0	44	0	4,869
Office supplies	0	0	0	3,586
Programs	0	0	0	4,218
Books	0	0	0	16,671
Data processing services	0	0	0	1,202
Professional services	0	0	0	700
Equipment	0	0	0	7,553
Facilities	276,711	0	0	0
Subscription and dues	0	0	0	0
Enhancement	0	0	0	0
Travel, training and development	<u>0</u>	<u>0</u>	<u>0</u>	<u>879</u>

See the accompanying independent accountants' audit report.

<u>Tourism Fund</u>	<u>Totals</u>
\$ 0	\$ 5,967
160	62,880
63,599	63,599
0	264,450
0	37
63,759	396,933
0	129,834
0	9,932
0	244
0	3,245
0	1,029
0	9,777
9,481	14,394
0	3,586
0	4,218
0	16,671
0	1,202
0	700
0	7,553
0	276,711
5,570	5,570
15,503	15,503
6,948	7,827

CITY OF SWEETWATER, TENNESSEE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2020

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Library Fund</u>
TOTAL EXPENDITURES	<u>276,711</u>	<u>44</u>	<u>0</u>	<u>193,738</u>
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	(12,261)	(7)	0	(125,050)
OTHER FINANCING SOURCES(USES)				
Transfer to home grant fund	0	0	(1,554)	0
Transfer from capital project fund	1,554	0	0	0
Transfer from general fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>128,000</u>
	<u>1,554</u>	<u>0</u>	<u>(1,554)</u>	<u>128,000</u>
NET CHANGE IN FUND BALANCES	(10,708)	(7)	(1,554)	2,950
FUND BALANCE(DEFICIT) AT THE BEGINNING OF THE YEAR	<u>(608)</u>	<u>152,039</u>	<u>1,554</u>	<u>45,759</u>
FUND BALANCE(DEFICIT) AT THE END OF THE YEAR	<u>\$ (11,316)</u>	<u>\$ 152,032</u>	<u>\$ 0</u>	<u>\$ 48,709</u>

<u>Tourism Fund</u>	<u>Totals</u>
<u>37,502</u>	<u>507,995</u>
26,257	(111,061)
(30,000)	(31,554)
0	1,554
<u>0</u>	<u>128,000</u>
<u>(30,000)</u>	<u>98,000</u>
(3,743)	(13,062)
<u>32,537</u>	<u>231,280</u>
<u>\$ 28,794</u>	<u>\$ 218,219</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
HOME GRANT FUND**

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Home Grant	\$ 450,000	\$ 450,000	\$ 264,450	\$ (185,550)
EXPENDITURES				
Home rehabilitation	<u>450,000</u>	<u>450,000</u>	<u>276,711</u>	<u>(173,289)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	0	0	(12,261)	(12,261)
OTHER FINANCING SOURCES				
Transfer from capital project fund	<u>0</u>	<u>0</u>	<u>1,554</u>	<u>1,554</u>
NET CHANGE IN FUND BALANCE	0	0	(10,708)	(10,708)
FUND BALANCE(DEFICIT) AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>(608)</u>	<u>(608)</u>
FUND BALANCE(DEFICIT) AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (11,316)</u>	<u>\$ (11,316)</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
ECONOMIC DEVELOPMENT FUND**

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Other income	\$ 100	\$ 100	\$ 37	\$ 63
EXPENDITURES				
Operating supplies	<u>0</u>	<u>0</u>	<u>44</u>	<u>44</u>
NET CHANGE IN FUND BALANCE	100	100	(7)	(107)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>152,039</u>	<u>152,039</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 152,032</u>	<u>\$ 151,932</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
CAPITAL PROJECT FUND**

Year Ended June 30, 2020

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES	0	0	0	0
OTHER FINANCING (USES)				
Transfer to home grant fund	<u>0</u>	<u>0</u>	<u>(1,554)</u>	<u>(1,554)</u>
NET CHANGE IN FUND BALANCE	0	0	(1,554)	(1,554)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>1,554</u>	<u>1,554</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
LIBRARY FUND**

Year Ended June 30, 2020

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Daily collections	\$ 11,270	\$ 11,270	\$ 5,967	\$ (5,303)
Contributions	65,700	65,700	62,720	(2,980)
Interest	<u>30</u>	<u>30</u>	<u>0</u>	<u>(30)</u>
TOTAL REVENUE	77,000	77,000	68,687	(8,313)
EXPENDITURES				
Personnel	126,000	126,000	129,834	3,834
OASDI	13,000	13,000	9,932	(3,068)
Unemployment insurance	1,000	1,000	244	(756)
Buildings and grounds	2,950	2,950	3,245	295
Telephone	700	700	1,029	329
Utilities	12,000	12,000	9,777	(2,223)
Supplies	6,750	6,750	4,869	(1,881)
Office supplies	3,600	3,600	3,586	(14)
Programs	14,100	14,100	4,218	(9,882)
Books	16,500	16,500	16,671	171
Data processing services	1,500	1,500	1,202	(298)
Professional services	300	300	700	400
Equipment	5,500	5,500	7,553	2,053
Materials, support and Travel, training and development	<u>1,100</u>	<u>1,100</u>	<u>879</u>	<u>(221)</u>
TOTAL EXPENDITURES	<u>205,000</u>	<u>205,000</u>	<u>193,738</u>	<u>(11,262)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES				
	(128,000)	(128,000)	(125,050)	2,950

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
LIBRARY FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
Transfer from general fund	<u>128,000</u>	<u>128,000</u>	<u>128,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	0	0	2,950	2,950
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>45,759</u>	<u>45,759</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,709</u>	<u>\$ 48,709</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
TOURISM FUND**

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Occupancy tax	\$ 65,000	\$ 65,000	\$ 63,599	\$ (1,401)
EXPENDITURES				
Subscription and dues	5,500	5,500	5,570	70
Enhancement	0	0	15,503	15,503
Training and travel	4,000	4,000	6,948	2,948
Operating supplies	<u>5,000</u>	<u>5,000</u>	<u>9,481</u>	<u>4,481</u>
TOTAL EXPENDITURES	<u>14,500</u>	<u>14,500</u>	<u>37,502</u>	<u>23,002</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	50,500	50,500	26,097	24,403
OTHER FINANCING SOURCES(USES)				
Contribution	0	0	160	(160)
Transfer to general fund	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
	<u>(30,000)</u>	<u>(30,000)</u>	<u>(29,840)</u>	<u>(160)</u>
NET CHANGE IN FUND BALANCE	20,500	20,500	(3,743)	24,243

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
TOURISM FUND**

(continued)

Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>32,537</u>	<u>32,537</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 28,794</u>	<u>\$ 8,294</u>

CITY OF SWEETWATER, TENNESSEE

INVESTMENTS

June 30, 2020

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General fund:</u>			
Certificate of deposit	0.19 %	05/18/21	\$ <u>100,963</u>
<u>Electric fund:</u>			
Certificate of deposit	1.00	10/30/20	\$ 100,000
Certificate of deposit	1.00	11/21/20	<u>445,000</u>
			<u>\$ 545,000</u>
<u>Natural gas fund:</u>			
Certificate of deposit	1.65	07/13/20	\$ 300,000
Certificate of deposit	1.65	08/04/20	300,000
Certificate of deposit	1.77	08/24/20	300,000
Certificate of deposit	1.74	08/31/20	550,000
Certificate of deposit	1.85	10/05/20	250,000
Certificate of deposit	1.00	12/20/20	<u>100,000</u>
			<u>\$ 1,800,000</u>
<u>Water and sewer fund:</u>			
Certificate of deposit	1.74	08/31/20	\$ 400,000
Certificate of deposit	1.00	10/30/20	150,000
Certificate of deposit	1.00	11/21/20	<u>55,000</u>
			<u>\$ 605,000</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2020

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2019</u>
2020	\$ 1.20	\$ 146,624,793	\$ 2,024,755	\$ 0
2019	1.20	145,149,987	1,999,500	1,999,500
2018	1.20	142,825,716	1,967,415	115,110
2017	1.20	133,972,055	1,607,821	88,408
2016	1.20	133,812,053	1,605,159	92,168
2015	1.20	133,670,850	1,604,180	75,997
2014	1.20	134,015,090	1,598,712	52,139
2013	1.46	129,476,478	1,894,032	61,540
2012	1.14	132,053,858	1,505,425	48,874
2011	1.14	131,893,504	1,503,595	49,174
2010	1.14	129,730,902	1,478,952	<u>4,202</u>
				<u>\$ 2,587,112</u>

Property taxes unpaid for 2010 through 2018 have been filed with the Monroe County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2020</u>
\$ 2,024,755	\$ 0	\$ 0	\$ 2,024,755
0	61,226	1,945,589	115,137
0	(109)	56,898	58,103
0	13,488	38,073	63,823
0	(7,371)	299	84,498
0	(4,638)	0	71,359
0	(1,269)	274	50,596
0	(1,323)	0	60,217
0	(1,942)	0	46,932
0	(1,228)	0	47,946
<u>0</u>	<u>(4,202)</u>	<u>0</u>	<u>0</u>
<u>\$ 2,024,755</u>	<u>\$ 52,632</u>	<u>\$ 2,041,133</u>	<u>\$ 2,623,366</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Adjustable rate Pooled Financing Revenue Bonds, Series 2001			
Year Ending			
June 30:			
2021	\$ 244,000	\$ 32,947	\$ 276,947
2022	252,000	30,092	282,092
2023	260,000	27,144	287,144
2024	268,000	24,102	292,102
2025	276,000	20,966	296,966
2026	285,000	17,737	302,737
2027	294,000	14,403	308,403
2028	303,000	10,963	313,963
2029	312,000	7,418	319,418
2030	322,000	3,767	325,767
	<u>\$ 2,816,000</u>	<u>\$ 189,540</u>	<u>\$ 3,005,540</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund			
Year Ending			
June 30:			
2021	\$ 73,000	\$ 26,498	\$ 99,498
2022	74,700	24,410	99,110
2023	77,400	22,274	99,674
2024	79,100	20,060	99,160
2025	81,900	17,798	99,698
2026	83,700	15,455	99,155
2027	86,400	13,062	99,462
2028	89,300	10,591	99,891
2029	91,100	8,037	99,137
2030	94,000	5,431	99,431
2031	<u>93,300</u>	<u>2,743</u>	<u>96,043</u>
	<u>\$ 923,900</u>	<u>\$ 166,359</u>	<u>\$ 1,090,259</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority			
Year Ending			
June 30:			
2021	\$ 94,272	\$ 16,800	\$ 111,072
2022	96,168	14,904	111,072
2023	98,112	12,960	111,072
2024	100,092	10,980	111,072
2025	102,108	8,964	111,072
2026	104,172	6,900	111,072
2027	106,272	4,800	111,072
2028	108,420	2,652	111,072
2029	73,385	924	74,309
	<u>\$ 883,001</u>	<u>\$ 79,884</u>	<u>\$ 962,885</u>
Ford Motor Credit, vehicle lease			
Year Ending			
June 30:			
2021	<u>\$ 52,600</u>	<u>\$ 3,945</u>	<u>\$ 56,545</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Adjustable rate Local Government Loan Program Bonds, Series 2017			
Year Ending			
June 30:			
2021	\$ 86,000	\$ 6,118	\$ 92,118
2022	88,000	5,881	93,881
2023	90,000	5,638	95,638
2024	91,000	5,392	96,392
2025	93,000	5,141	98,141
2026	95,000	4,884	99,884
2027	97,000	4,622	101,622
2028	99,000	4,355	103,355
2029	101,000	4,082	105,082
2030	103,000	3,804	106,804
2031	105,000	3,521	108,521
2032	107,000	3,232	110,232
2033	109,000	2,938	111,938
2034	111,000	2,638	113,638
2035	114,000	2,330	116,330
2036	116,000	2,017	118,017
2037	118,000	1,698	119,698
2038	121,000	1,372	122,372
2039	123,000	1,040	124,040
2040	126,000	699	126,699
2041	128,000	354	128,354
2042	131,000	177	131,177
	<u>\$ 2,352,000</u>	<u>\$ 71,932</u>	<u>\$ 2,423,932</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Adjustable rate note through PBA of Montgomery County, Tennessee			
Year Ending			
June 30:			
2021	\$ 428,000	\$ 10,894	\$ 438,894
2022	445,000	8,404	453,404
2023	463,000	5,814	468,814
2024	482,000	3,119	485,119
2025	<u>96,000</u>	<u>510</u>	<u>96,510</u>
	<u>\$ 1,914,000</u>	<u>\$ 28,741</u>	<u>\$ 1,942,741</u>

Interest is estimated based on the rate at June 30, 2020 of 2.07%

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Interdepartmental Loan - Gas Department			
Year Ending			
June 30:			
2021	\$ 45,951	\$ 14,271	\$ 60,222
2022	46,645	13,577	60,222
2023	47,350	12,872	60,222
2024	48,065	12,157	60,222
2025	48,791	11,431	60,222
2026	49,528	10,694	60,222
2027	50,276	9,946	60,222
2028	51,035	9,187	60,222
2029	51,806	8,416	60,222
2030	52,589	7,633	60,222
2031	53,383	6,839	60,222
2032	54,189	6,033	60,222
2033	55,008	5,214	60,222
2034	55,839	4,383	60,222
2035	56,682	3,540	60,222
2036	57,538	2,684	60,222
2037	58,407	1,815	60,222
2038	59,289	933	60,222
2039	29,980	129	30,109
	<u>\$ 972,351</u>	<u>\$ 141,754</u>	<u>\$ 1,114,105</u>

Interest is estimated based on the rate at June 30, 2020 of 1.50%

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan SRF 2003-170			
Year Ending			
June 30:			
2021	\$ 36,252	\$ 4,896	\$ 41,148
2022	37,032	4,116	41,148
2023	37,824	3,324	41,148
2024	38,640	2,508	41,148
2025	39,468	1,680	41,148
2026	40,320	828	41,148
2027	17,045	49	17,094
	<u>\$ 246,581</u>	<u>\$ 17,401</u>	<u>\$ 263,982</u>

State Revolving Loan SRF 07-177

Year Ending			
June 30:			
2021	\$ 64,452	\$ 11,184	\$ 75,636
2022	66,048	9,588	75,636
2023	67,680	7,956	75,636
2024	69,360	6,276	75,636
2025	71,076	4,560	75,636
2026	72,840	2,796	75,636
2027	74,759	823	75,582
	<u>\$ 486,215</u>	<u>\$ 43,183</u>	<u>\$ 529,398</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority Loan			
Year Ending June 30:			
2021	\$ 324,000	\$ 82,554	\$ 406,554
2022	336,000	74,346	410,346
2023	349,000	65,831	414,831
2024	362,000	56,990	418,990
2025	376,000	47,816	423,816
2026	390,000	38,290	428,290
2027	405,000	28,407	433,407
2028	420,000	18,147	438,147
2029	408,000	7,680	415,680
	<u>\$ 3,370,000</u>	<u>\$ 420,061</u>	<u>\$ 3,790,061</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan DG3 14-148			
Year Ending			
June 30:			
2021	\$ 86,652	\$ 14,412	\$ 101,064
2022	87,516	13,548	101,064
2023	88,392	12,672	101,064
2024	89,268	11,796	101,064
2025	90,156	10,908	101,064
2026	91,056	10,008	101,064
2027	91,956	9,108	101,064
2028	92,868	8,196	101,064
2029	93,792	7,272	101,064
2030	94,728	6,336	101,064
2031	95,676	5,388	101,064
2032	96,624	4,440	101,064
2033	97,584	3,480	101,064
2034	98,556	2,508	101,064
2035	99,540	1,524	101,064
2036	100,464	536	101,000
	<u>\$ 1,494,828</u>	<u>\$ 122,132</u>	<u>\$ 1,616,960</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017 Water and Sewer Revenue Tax Bonds			
Year Ending			
June 30:			
2021	\$ 21,280	\$ 36,176	\$ 57,456
2022	21,845	35,611	57,456
2023	22,426	35,030	57,456
2024	23,022	34,434	57,456
2025	23,633	33,823	57,456
2026	24,261	33,195	57,456
2027	24,906	32,550	57,456
2028	25,567	31,889	57,456
2029	26,247	31,209	57,456
2030	26,944	30,512	57,456
2031	27,660	29,796	57,456
2032	28,395	29,061	57,456
2033	29,149	28,307	57,456
2034	29,923	27,533	57,456
2035	30,718	26,738	57,456
2036	31,535	25,921	57,456
2037	32,372	25,084	57,456
2038	33,233	24,223	57,456
2039	34,115	23,341	57,456
2040	35,022	22,434	57,456
2041	35,952	21,504	57,456
2042	36,907	20,549	57,456
2043	37,888	19,568	57,456

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017 Water and Sewer Revenue Tax Bonds (continued)			
Year Ending			
June 30:			
2044	\$ 38,895	\$ 18,561	\$ 57,456
2045	39,928	17,528	57,456
2046	40,989	16,467	57,456
2047	42,078	15,378	57,456
2048	43,196	14,260	57,456
2049	44,343	13,113	57,456
2050	45,521	11,935	57,456
2051	46,731	10,725	57,456
2052	47,972	9,484	57,456
2053	49,247	8,209	57,456
2054	50,555	6,901	57,456
2055	51,899	5,557	57,456
2056	53,277	4,179	57,456
2057	54,693	2,763	57,456
2058	56,146	1,310	57,456
2059	19,372	108	19,480
	<u>\$ 1,387,842</u>	<u>\$ 814,966</u>	<u>\$ 2,202,808</u>

CITY OF SWEETWATER, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2020

<u>Name</u>	<u>Title</u>
City:	
Doyle F. Lowe	Mayor
Bill Stockton	Police Commissioner
Sam Moser	Planning and Development, Safety and Tourism Commissioner
Billy G. West	Vice-Mayor and Streets Commissioner
Alan Richeson	Fire Commissioner
Lamar Hughes	Parks and Recreation Commissioner
Jessica Morgan	City Recorder/CMFO
Board of Education:	
John Fox	School Board Chairman
Kenzie Lovingood	School Board Vice-Chairman
Patrick Gaines	School Board Member
Jon Campbell	School Board Member
Christy McCosh	School Board Member
Bill Stockton	City Council Representative
Rodney Boruff	Director of Schools
Heather Henry	Principal, Brown Elementary School
Alice Tyler	Principal, Sweetwater Elementary School
Brandi Smith	Principal, Sweetwater Junior High School
Darrin Nichols	Principal, Sweetwater Primary School
Utility:	
Terry Knight	Utility Board Chairman
Phil Hall	Utility Board Vice-Chairman
Bill Stockton	Utility Board Secretary/Treasurer
L.D Moree, Jr.	Utility Director
Dick Collette	Utility Director
Eric Hicks	Utility Manager
Jan Broyles	Accounting Manager

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND

June 30, 2020

Residential:

Base charges:

Customer charge per month	\$ 23.42
Energy charge (cents per kilowatt-hour)	8.292

Commercial, industrial, governmental and institutional customers:

Base charges:

1. Customer's billing demand for the month or its contract demand is less than 50 kilowatts:

Customer charge per delivery point per month – Single Phase	\$ 25.02
Customer charge per delivery point per month – Three Phase	34.43
Energy charge (cents per kilowatt-hour)	9.687

2. Customer's billing demand for the month or its contract demand is at least 50 kilowatts, but less than 1,000 kilowatts:

Customer charge per delivery point per month	\$ 35.42
Demand charge for first 50 kilowatts of billing demand per month	No charge
Demand charge in excess of 50 kilowatts of billing demand per month, per kilowatt	12.61
Energy charge for first 15,000 kilowatt-hours per month (cents per kilowatt-hour)	9.896
Energy charge for additional kilowatt-hours per month (cents per kilowatt-hour)	5.606

3. Customer's contract demand is at least 1,000 kilowatts, but less than 5,000 kilowatts:

Customer charge per delivery point per month	\$ 75.89
Demand charge for first 1,000 kilowatts of billing demand per month (per kilowatt)	13.26
Demand charge in excess of 1,000 kilowatts per month (per kilowatt)	15.88
Energy charge (cents per kilowatt-hour)	5.64

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND
(continued)

June 30, 2020

4. Customer's contract demand is greater than 5,000 kilowatts:

Customer charge per delivery point per month	\$ 1,500
Demand charge on peak kilowatt (per kilowatt)	9.27
Demand charge, max per kilowatt over 5,000 kilowatts	2.26
Demand charge, max per kilowatt if less than 5,000 kilowatts	3.57
Energy charge per kilowatt-hour:	
On peak, over 5,000 kilowatts	.05022
On peak, under 5,000 kilowatts	.04821
Off peak-first 200 HUD (over 5,000 kilowatts)	.05022
Off peak-first 200 HUD (under 5,000 kilowatts)	.04821
Off peak-next 200 HUD	.01767
Off peak-additional HUD	.01512

Facilities rental charge applicable under item 4 above:

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kilovolts or higher. For delivery at less than 161 kilovolts, there shall be added to the customer's bill a facilities rental charge. This charge shall be 36 cents per kilowatt per month except for delivery at voltages below 46 kilovolts, in which case the charge shall be 93 cents per month for the first 10,000 kilowatts and 73 cents per kilowatt per month for the excess over 10,000 kilowatts. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective including minimum bill charges.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND

(continued)

June 30, 2020

Outdoor lighting:	
Customer charge: traffic signals and athletic field lighting per delivery point per month	\$ 7.60
Energy charge (cents per kilowatt-hour)	6.362
Facilities rental:	
Annual charge of the installed cost to the electric system of the facilities	
Devoted to street and park lighting service	10%

NUMBER OF METERED CUSTOMERS

Residential	7,181
General power-under 50 kilowatts	1,824
General power-50 kilowatts and over	106
Street and athletic	<u>87</u>
	9,198
Outdoor lighting	2,376

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
NATURAL GAS FUND

June 30, 2020

General:

Minimum bill (excluding gas charge)	\$ 7.00
All 100 cubic feet (per 100 cubic feet)	.78

Schools:

Minimum bill (excluding gas charge)	\$ 7.00
All 100 cubic feet (per 100 cubic feet)	.76

NUMBER OF METERED CUSTOMERS

Residential	1,261
Commercial	269
Industrial	23
Schools	<u>21</u>
	1,574

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
WATER AND SEWER FUND

June 30, 2020

Inside City limits:

Water:

First 1,500 gallons (minimum billing)	\$ 13.50
Next 50,000 gallons (per 1,000 gallons)	5.44
All over 50,000 gallons (per 1,000 gallons)	5.13

Sewer:

First 1,500 gallons (minimum billing)	\$ 14.50
Next 50,000 gallons (per 1,000 gallons)	5.84
All over 50,000 gallons (per 1,000 gallons)	5.52

Outside City limits:

Water:

First 1,500 gallons (minimum billing)	\$ 20.25
Next 50,000 gallons (per 1,000 gallons)	8.15
All over 50,000 gallons (per 1,000 gallons)	7.71

Sewer:

First 1,500 gallons (minimum billing)	\$ 21.75
Next 50,000 gallons (per 1,000 gallons)	8.76
All over 50,000 gallons (per 1,000 gallons)	8.28

NUMBER OF METERED CUSTOMERS

	<u>Water</u>	<u>Sewer</u>
Residential	4,085	1,921
Commercial	542	367
Industrial	<u>20</u>	<u>18</u>
	4,647	2,306

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v6.0
American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Sweetwater Utilities Board**
Reporting Year: **2020** **7/2019 - 6/2020**

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

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

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

WATER SUPPLIED

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

Volume from own sources:	<input type="button" value="+"/> <input type="button" value="9"/>	399.151	MG/Yr
Water imported:	<input type="button" value="+"/> <input type="button" value="8"/>	92.006	MG/Yr
Water exported:	<input type="button" value="+"/> <input type="button" value="n/a"/>		MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	<input type="button" value="2.00%"/>	Value:	<input type="button" value="-5.987"/>	MG/Yr
Enter negative % or value for under-registration Enter positive % or value for over-registration				

WATER SUPPLIED: 495.340 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/> <input type="button" value="8"/>	322.041	MG/Yr
Billed unmetered:	<input type="button" value="+"/> <input type="button" value="5"/>	0.855	MG/Yr
Unbilled metered:	<input type="button" value="+"/> <input type="button" value="8"/>		MG/Yr
Unbilled unmetered:	<input type="button" value="+"/> <input type="button" value="5"/>	6.192	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 329.088 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 166.252 MG/Yr

Apparent Losses

Unauthorized consumption: 1.238 MG/Yr

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

Customer metering inaccuracies:	<input type="button" value="+"/> <input type="button" value="8"/>	4.076	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/> <input type="button" value="5"/>	0.805	MG/Yr

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

Apparent Losses: 6.120 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 160.132 MG/Yr

WATER LOSSES: 166.252 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 172.444 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="+"/> <input type="button" value="10"/>	132.0	miles
Number of active AND inactive service connections:	<input type="button" value="+"/> <input type="button" value="7"/>	4,771	
Service connection density:	<input type="button" value="36"/>	36	conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

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

Average operating pressure: 70.0 psi

COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/> <input type="button" value="9"/>	\$2,017,587	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/> <input type="button" value="10"/>	\$7.45	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/> <input type="button" value="9"/>	\$926.14	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Billed unmetered
- 2: Volume from own sources
- 3: Unauthorized consumption

Click here: for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

Pcnt: Value:

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
American Water Works Association
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Water Audit Report for: Sweetwater Utilities Board
 Reporting Year: 2020 7/2019 - 6/2020

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

System Attributes:

Apparent Losses:	6.120	MG/Yr
+	Real Losses:	160.132
	MG/Yr	
=	Water Losses:	166.252
	MG/Yr	

? Unavoidable Annual Real Losses (UARL): 36.53 MG/Yr

Annual cost of Apparent Losses: \$45,593

Annual cost of Real Losses: \$148,305 Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: 34.8%
 Non-revenue water as percent by cost of operating system: 9.9% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 3.51 gallons/connection/day
 Real Losses per service connection per day: 91.96 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 1.31 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 160.13 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 4.38

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

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

OPERATIONS EXPENSES - PROPRIETARY FUNDS

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Purchased power/gas/water	\$ 18,227,870	\$ 1,069,125	\$ 0	\$ 19,296,995
Other operations expenses:				
Distribution expenses:				
Operating supervision	79,189	0	32,103	111,292
Operating labor	0	0	409,720	409,720
Transmission, distribution lines and load dispatching	0	1,051	104,632	105,683
Mains and services	0	136,528	0	136,528
Station expense	909	0	0	909
Overhead line	82,846	0	0	82,846
Street lighting and signal system	11,783	0	0	11,783
Meter expense and house regulator	128,327	24,869	0	153,196
Chemicals	0	0	116,220	116,220
Pre-treatment testing	0	0	3,923	3,923
Customer installations	35,342	0	0	35,342
Purchased power and gas	0	0	170,072	170,072
Miscellaneous distribution expense	32,716	0	134,958	167,674
Rents	2,110	0	0	2,110
	<u>373,222</u>	<u>162,448</u>	<u>971,628</u>	<u>1,507,298</u>
Customer accounts expenses:				
Supervision	6,807	0	0	6,807
Meter reading	44,535	20,724	45,657	110,916
Customer records and collection	286,920	62,183	114,983	464,086
	<u>338,262</u>	<u>82,907</u>	<u>160,640</u>	<u>581,809</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

OPERATIONS EXPENSES - PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Customer service expenses:				
Customer assistance	12,620	14,373	0	26,993
Administrative and general expenses:				
Salaries	170,635	57,070	90,101	317,806
Office supplies	105,265	11,507	34,873	151,645
Outside services	26,481	9,438	8,972	44,891
Property insurance	30,525	4,161	17,163	51,849
Injuries and damages insurance	99,388	13,070	61,561	174,019
Employees' pension and postemployment benefits	414,892	45,159	154,956	615,007
General advertising	0	1,691	0	1,691
Miscellaneous general	54,785	13,214	34,764	102,763
Industrial development	24,669	0	0	24,669
Rents	3,600	1,240	8,660	13,500
	<u>930,240</u>	<u>156,550</u>	<u>411,050</u>	<u>1,497,840</u>
Taxes:				
Payroll	<u>115,883</u>	<u>16,258</u>	<u>50,158</u>	<u>182,299</u>
Total other operations expenses	<u>1,770,227</u>	<u>432,536</u>	<u>1,593,476</u>	<u>3,796,239</u>
TOTAL OPERATIONS EXPENSES	<u>\$ 19,998,097</u>	<u>\$ 1,501,661</u>	<u>\$ 1,593,476</u>	<u>\$ 23,093,234</u>

CITY OF SWEETWATER, TENNESSEE

DISTRIBUTION AND MAINTENANCE EXPENSES - PROPRIETARY FUNDS

Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Distribution expenses:				
Supervision	\$ 54,830	\$ 0	\$ 0	\$ 54,830
Station	48,331	0	0	48,331
Overhead and underground lines	933,143	0	0	933,143
Line transformers	13,871	0	0	13,871
Street lighting and signal system	14,948	0	0	14,948
Distribution plant	63	0	0	63
Meters	4,037	0	0	4,037
	<u>1,069,223</u>	<u>0</u>	<u>0</u>	<u>1,069,223</u>
Maintenance expenses:				
Pumping equipment	0	0	21,324	21,324
Structures and improvements	0	495	33,038	33,533
Treatment equipment	0	0	46,393	46,393
Transmission and distribution mains	0	0	99,054	99,054
Mains	0	17,475	0	17,475
Measuring and regulating station equipment	0	726	0	726
Services	0	112	39,296	39,408
Meters and house regulators	0	3,367	12,377	15,744
Fire mains and hydrants	0	0	8,534	8,534
Lift station	0	0	13,773	13,773
General plant	66,906	11,488	25,022	103,416
Sewer plant	0	0	3,055	3,055
	<u>66,906</u>	<u>33,663</u>	<u>301,866</u>	<u>402,435</u>
TOTAL DISTRIBUTION AND MAINTENANCE EXPENSES	<u>\$ 1,136,129</u>	<u>\$ 33,663</u>	<u>\$ 301,866</u>	<u>\$ 1,471,658</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2020

Governmental Activities:

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Agriculture/ Tennessee Department of Education	10.555	N/A	\$ 534,997
U.S. Department of Agriculture/ Tennessee Department of Education	10.553	N/A	213,527
U.S. Department of Education	84.027	N/A	375,247
U.S. Department of Education	84.173	N/A	20,669
U.S. Department of Education	84.010	N/A	478,138
U.S. Department of Education	84.367A	N/A	50,549
U.S. Department of Education	84.365A	N/A	9,162
U.S. Department of Education	84.358B	N/A	12,150
U.S. Department of Transportation/ Tennessee Department of Transportation	20.607	Z19THS276	2,360

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

June 30, 2020

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development	23.001	TN-19502-19	45,605
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	STP-M-9118(9)	737,632
U.S. Department of Justice	16.607	N/A	3,645
U.S. Department of Housing and Urban Development	14.228	12078	<u>264,450</u>
Total Federal Awards			2,748,131
<u>State Financial Assistance</u>			
Tennessee Department of Economic and Conservation	N/A	50740	<u>136,026</u>
Total Federal Awards and State Financial Assistance			<u>\$ 2,884,157</u>

NOTE 1 – BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Sweetwater, Tennessee under programs of the federal and state governments for the year ended June 30, 2020. The schedule is presented using the full accrual basis of accounting. Because this schedule presents only a portion of the operations of the City of Sweetwater, Tennessee, it is not intended and does not present the net position or changes in net position of the City of Sweetwater, Tennessee.

NOTE 2 – OUTSTANDING LOAN BALANCE

City of Sweetwater, Tennessee had no federal loans outstanding at June 30, 2020.

CITY OF SWEETWATER, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

June 30, 2020

NOTE 3 – INDIRECT COST RATE

City of Sweetwater, Tennessee has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Business-Type Activities:

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Agriculture	10.760	N/A	\$ 693,076

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal awards activity of the Sweetwater Utilities Board Water and Sewer Department and is presented on the accrual basis of accounting.

NOTE 2 – OUTSTANDING LOAN BALANCE

The Sweetwater Utilities Board Water and Sewer Department expended funds for the construction of Water and Sewer system improvements for which the Rural Development Administration (RDA) has committed to provide permanent financing. The Sweetwater Utilities Board Water and Sewer Department issued bond anticipation notes to provide interim financing. RDA requires these expenditures to be considered as Federal awards expended.

NOTE 3 – INDIRECT COST RATE

The Sweetwater Utilities Board Water and Sewer Department has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF SWEETWATER, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2020

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
Governmental Activities:			
<u>Bonds Payable</u>			
Tennessee Municipal Bond, Series 2001	\$ 6,000,000	3.020	1/28/2002
Tennessee Municipal Bond Loan	1,200,000	2.860	6/20/2016
Tennessee Municipal Bond, Series 2017	2,600,000	3.000	4/20/2017
<u>Notes Payable</u>			
Tennessee Local Development Authority	1,829,399	2.000	3/23/2009
Ford Motor Credit	158,073	7.500	5/3/2019
	<u>\$ 11,787,472</u>		
Business-Type Activities:			
<u>Notes Payable</u>			
State Revolving Loan SRF 2003-170	\$ 1,000,000	2.13%	2/24/2004
State Revolving Loan SRF 07-177	1,200,000	2.450	7/14/2004
State Revolving Loan DG3 14-148	1,833,000	0.990	7/1/2014
Water and Sewer Revenue and Tax Bond			
Anticipation Notes	706,924	2.625	3/26/19 - 6/12/2019
2017 Water and Sewer Revenue Tax Bonds	1,400,000	2.625	11/2/2019
Tennessee Local Development Authority Loan	6,500,000	2.510	4/5/2010
Adjustable rate note through PBA of Montgomery County, Tennessee	7,000,000	2.070	10/19/2005
Interdepartment Loan - Gas Department	1,040,000	1.500	11/1/2018
	<u>\$ 20,679,925</u>		

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2019</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2020</u>
5/25/2030	\$ 3,053,000	0	\$ 237,000	0	\$ 2,816,000
5/1/2031	995,200	0	71,300	0	923,900
5/25/2042	2,436,000	0	84,000	0	2,352,000
2/28/2029	973,817	0	90,816	0	883,001
5/3/2021	101,529	0	48,929	0	52,600
	<u>\$ 7,559,546</u>	<u>\$ 0</u>	<u>\$ 532,045</u>	<u>\$ 0</u>	<u>\$ 7,027,501</u>
11/20/2026	\$ 282,015	\$ 0	\$ 35,434	\$ 0	\$ 246,581
6/20/2027	549,161	0	62,946	0	486,215
6/20/1936	1,580,627	0	85,799	0	1,494,828
11/12/2019	706,924	693,076	1,400,000	0	0
11/12/2058	0	1,400,000	12,158	0	1,387,842
4/1/2029	3,682,000	0	312,000	0	3,370,000
5/1/2025	2,326,000	0	412,000	0	1,914,000
11/1/1938	1,017,619	0	45,268	0	972,351
	<u>\$ 10,144,347</u>	<u>\$ 2,093,076</u>	<u>\$ 2,365,605</u>	<u>\$ 0</u>	<u>\$ 9,871,817</u>

INTERNAL CONTROL

AND

COMPLIANCE

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

Mayor and Board of Commissioners
City of Sweetwater, Tennessee
Sweetwater, Tennessee

We have audited, 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 of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweetwater, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Sweetwater, Tennessee's basic financial statements, and have issued our report thereon dated June 7, 2021. Our report includes a reference to other auditors who audited the financial statements of the electric fund, natural gas fund and water and sewer fund, as described in our report on City of Sweetwater, Tennessee's financial statements. This reports does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sweetwater, Tennessee's internal control over financial reporting (internal control) as a basis for designing the 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 City of Sweetwater, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sweetwater, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City of Sweetwater, Tennessee's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 City of Sweetwater, 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 City of Sweetwater, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sweetwater, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

June 7, 2021

CITY OF SWEETWATER, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2020

There were no prior year findings reported.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and Board of Directors
City of Sweetwater, Tennessee
Sweetwater, Tennessee

Report on Compliance for Each Major Federal Program

We have audited City of Sweetwater, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of City of Sweetwater, Tennessee's major federal programs for the year ended June 30, 2020. City of Sweetwater, Tennessee's major federal program are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Sweetwater, Tennessee's major federal program 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 of America; 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 City of Sweetwater, 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 City of Sweetwater, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Sweetwater, 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 program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City of Sweetwater, 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 City of Sweetwater, 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 City of Sweetwater, 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 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 the 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 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.

Mitchell Emert & Hill

June 7, 2021

CITY OF SWEETWATER, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified opinion on the financial statements of City of Sweetwater, Tennessee.
2. No significant deficiencies in internal control over financial reporting were disclosed.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies in internal control over major federal programs were disclosed.
5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance As Required by the Uniform Guidance expresses an unmodified opinion on City of Sweetwater, Tennessee's compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.
6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.
7. The following programs were tested as major programs:

<u>Program Name</u>	<u>CFDA No.</u>
USDA Section 4	
School Breakfast Program	10.553
National School Lunch Program	10.555
Highway Planning and Construction	20.205

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Sweetwater, Tennessee was not determined to be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.