

Financial Statements

CITY OF SWEETWATER, TENNESSEE

Year Ended June 30, 2021

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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, 2021, 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. We did not audit the Sweetwater Utility Board Defined Benefit Pension Plan which represents 100 percent of the fiduciary funds presented in City of Sweetwater, Tennessee's financial statements. 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 Q, beginning fund balance and net position has been restated to include the internal school funds as a nonmajor special revenue fund. 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, 2021, 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 14 and the schedule of changes in net pension liability(asset) and related ratios on pages 146 to 149, the schedule of proportionate share of the net pension liability(asset) on pages 150 to 153, the schedule of changes in net OPEB liability(asset) and related ratios on pages 154 to 155, the schedule of changes in proportionate share of collective OPEB liability and related ratios on pages 156 to 159, the schedule of pension contributions on pages 160 to 165, and the notes to pension contributions on pages 166 to 167 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 March 21, 2022, 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 cursive script that reads "Mitchell Emert & Hill".

March 21, 2022

Management's Discussion and Analysis For the Year Ended June 30, 2021

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, 2021.

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, 2021 was \$88,503,878 (\$80,940,127 in 2020). Of this amount, \$27,179,301 may be used to meet the City's ongoing obligations to citizens and creditors (\$19,298,299 in 2020).
- The City's net position increased by \$7,436,988 (7.5%) during the year ended June 30, 2021 and increased by \$5,611,059 (7.5%), during the year ended June 30, 2020.
- At June 30, 2021 the City's governmental funds reported combined ending fund balances of \$13,605,649, an increase of \$3,655,168 for the year ending June 30, 2020. Approximately 33% of this total amount (\$4,476,092) is available for spending at the City's discretion. At June 30, 2020 combined ending fund balances from governmental funds was \$9,823,716 an increase of \$1,335,568 from June 30, 2019.

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 15 to 22 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 five 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 five 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 other than the internal school fund. 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 34 to 53. Budget comparisons for nonmajor funds are included as supplementary information on pages 174 to 178.

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 54 to 66 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. 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 and information about pension contributions are included as required supplementary information on pages 146 to 167 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 \$88,503,878 at June 30, 2021 and \$80,940,127 at June 30, 2020.

The largest portion of the City's net position (58%) 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, 2021 and 2020 the City's statement of net position consisted of the following:

A portion of the City's net position (31%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$27,179,301 and \$19,298,299 at June 30, 2021 and 2020, respectively) may be used to meet the City's ongoing obligations to citizens and creditors.

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets	\$ 44,633,195	\$ 39,143,684
Capital assets, net of accumulated depreciation	<u>66,709,375</u>	<u>67,064,177</u>
TOTAL ASSETS	111,342,570	106,207,861
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension and other postemployment benefits	<u>4,725,791</u>	<u>4,395,751</u>
	<u>\$ 116,068,362</u>	<u>\$ 110,603,612</u>
LIABILITIES		
Current liabilities	\$ 9,001,564	\$ 8,520,564
Noncurrent liabilities	<u>14,233,007</u>	<u>15,342,859</u>
TOTAL LIABILITIES	23,234,571	23,863,423
DEFERRED INFLOWS OF RESOURCES		
Taxes collected in advance	2,037,357	2,027,755
Deferred inflows related to pension and other postemployment benefits	<u>2,292,554</u>	<u>3,772,309</u>
	4,329,911	5,800,064

NET POSITION

Net investment in capital assets	51,789,557	51,137,211
Restricted	12,275,029	10,504,617
Unrestricted	<u>24,439,291</u>	<u>19,298,299</u>
TOTAL NET POSITION	<u>88,503,878</u>	<u>80,940,127</u>
	<u>\$ 116,068,362</u>	<u>\$ 110,603,612</u>

At June 30, 2021 and 2020, the City reported 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 31,667,590	\$ 30,977,133
Operating grants and contributions	11,912,395	10,686,020
Capital grants and contributions	67,852	873,658
General Revenue:		
Taxes	9,263,374	8,141,542
Intergovernmental	1,171,510	1,284,571
Investment earnings	192,186	304,505
Insurance recovery	34,738	19,359
Sale of materials and supplies	140,130	6,228
Miscellaneous	<u>94,710</u>	<u>140,548</u>
TOTAL REVENUE	54,544,485	52,433,564
EXPENSES		
General government	1,352,565	1,503,507
Public safety	2,642,821	2,586,093
Public welfare	1,021,501	939,467
Streets and highways	1,217,631	1,228,192
Education	13,480,883	13,125,307
Solid waste collection and disposal	315,595	316,838
Interest on long-term debt	55,588	56,408
Electric	22,135,418	22,490,120
Natural gas	1,762,037	1,647,842
Water and sewer	<u>3,123,456</u>	<u>2,928,731</u>
TOTAL EXPENSES	<u>47,107,497</u>	<u>46,822,505</u>

	<u>2021</u>	<u>2020</u>
INCREASE IN NET POSITION	7,436,988	5,611,059
NET POSITION AT THE BEGINNING OF THE YEAR	80,940,127	76,371,523
Prior period adjustment	<u>126,763</u>	<u>(1,042,055)</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 88,503,878</u>	<u>\$ 80,940,127</u>

Governmental activities - Governmental activities increased the City's net position during the year ended June 30, 2021 by \$4,045,864. The City received increased tax revenue from local and state shared taxes due to improvements in the economy. They also received increase operating grants due in large part to funding provided for Covid relief. There was a decrease in capital grants due to the conclusion of a street project in the prior year. Governmental activities increased the City's net position by \$2,703,051 during the year ended June 30, 2020.

Information regarding these changes can be found on page 19 to 22 of this report.

Business-type activities - Business-type activities increased the City's net position by \$3,391,124 for the year ended June 30, 2021, as compared to an increase of \$2,908,008 for the year ended June 30, 2020. The electric department, gas department and water and sewer department contributed to the increase.

The change in net position of the electric department was an increase of \$2,220,882. 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 \$416,504, as compared to the change in net position for the year ending June 30, 2020 of \$500,146.

The change in net position of the water and sewer department was \$753,738. The change in net position of the water and sewer department for the year ending June 30, 2020 was \$868,122.

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, 2021 the City’s governmental funds reported combined fund balances of \$13,605,649, an increase of \$3,655,168 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 special projects fund (\$78,523), highway and street improvements fund (\$389,709), drug enforcement fund (\$72,892), the economic development fund (\$152,160), the school general purpose fund (\$8,082,549), the tourism fund (\$53,667), the school cafeteria fund (\$223,051), the school internal school funds (\$111, 862), and the library fund (\$48,711).

The general fund is the chief operating fund of the City. At June 30, 2021 unassigned fund balance of the general fund was \$4,316,718. 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 general fund balance increased \$1,764,986 during the year ended June 30, 2021.

At June 30, 2021 the City has a restricted fund balance of \$9,165,652, the breakdown is as follows: school general purpose fund - \$8,082,549; school cafeteria fund - \$223,051; general fund - \$78,523, state street aid - \$389,709, drug fund - \$72,892, school federal project fund - \$1,239, economic development fund - \$152,160, internal school fund - \$111,862, tourism fund - \$53,667, and library fund - \$48,711. The net increase in this restricted fund balance during the current year was \$2,468,384. Due to GASB 54, all of the schools fund balance is reflected as restricted funds for the governmental funds of the City. The schools general ledger can provide additional information and is maintained by the school finance officer Janet Collins.

Nonmajor governmental funds had a fund balance of \$366,402 at June 30, 2021, as compared to \$218,219 at June 30, 2020.

Proprietary funds – The 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 \$20,489,645 at June 30, 2021, and at June 30, 2020 amounted to \$18,187,533. 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. Budgeted revenue of the general fund increased by approximately \$2.5 million due to increases in estimates for local and state shared taxes and increases in grant funding. Budgeted expenditures of the general fund increased by \$1 million due to increases in anticipated capital outlay as well as increases in expenditures for downtown and community improvements due to additional grant funding for those projects. The general fund budget was also amended for anticipated debt proceeds.

There were no changes to anticipated revenue for the state street aid fund, however, appropriated expenditures were increased to allow for additional street and equipment repairs.

Budgeted revenues of the general purpose school fund were increased due to higher than anticipated local taxes and additional grant funding. Budgeted expenditures of the general purpose school fund were increased for additional salaries and related expenses.

Budgeted revenues and expenditures of the school federal project fund were increased by approximately \$2 million from the original budget due to increases in grant funding and the associated increases in salaries and related expenses and instructional materials and supplies.

The tourism fund revenue budget was increased due to higher than anticipated tax revenues. The tourism fund expenditures were increased from the original budgeted amount due to increased need for training and operating supplies.

There were no changes between anticipated revenues and appropriated expenditures for the following funds: drug fund, school cafeteria fund, school capital project fund, home grant fund, economic development fund and library fund.

The internal school fund budget is not approved by the City and a budget is maintained only at each individual school. A budget statement is not presented for the internal school fund.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2021, amounted to \$66,709,375 (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
- Renovation of kitchen at City Hall
- 2nd phase renovation for Sweetwater Police Department

The City's investment in capital assets as of June 30, 2021 for governmental activities was \$23,987,311 (\$24,350,575 in 2020) net of accumulated depreciation.

	<u>2021</u>	<u>2020</u>
Land	\$ 865,274	\$ 865,274
Construction in Progress	27,909	0
Buildings and improvements	30,737,555	30,737,555
Vehicles and equipment	7,854,315	7,175,718
Infrastructure	6,358,947	6,358,947
Accumulated depreciation	<u>(21,856,689)</u>	<u>(20,786,919)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,987,311</u>	<u>\$ 24,350,575</u>

The City's net investment in capital assets as of June 30, 2021 for business-type activities was \$42,722,063 (\$42,713,602 in 2020). Additional information on the City's capital assets can be found on pages 88 to 92 of the notes to the financial statements.

DEBT

At June 30, 2021 the City's proprietary funds had outstanding debt of \$8,869,976 (\$9,871,817 in 2020). During the year ended June 30, 2021 the City issued no new debt and retired \$1,001,841 (\$1,660,371 in 2020) 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, 2021 the City's governmental funds had outstanding debt of \$6,980,985 (\$7,027,501 in 2020) consisting of the following:

	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 6,980,985	\$ 7,027,501
Less: current portion due	<u>(577,868)</u>	<u>(549,872)</u>
Total long-term debt principal	<u>\$ 6,403,117</u>	<u>\$ 6,477,629</u>

During the year ended June 30, 2021 the City issued a \$500,000 loan for the purchase of a fire truck and retired \$546,416 (\$532,045 in 2020) 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 in Note I of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Mayor and Board of Commissioners approved the budget for the year ending June 30, 2022. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2021.

Current electric rates are listed on pages 194-196

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 197.

Current water and sewer rates are listed on page 198.

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
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CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 12,436,279	\$ 16,856,822	\$ 29,293,101
Certificates of deposit	100,000	1,898,000	1,998,000
Accounts receivable, net of allowance for uncollectible accounts	92,601	1,951,470	2,044,071
Property taxes receivable	2,578,252	0	2,578,252
Taxes receivable	191,650	0	191,650
Due from other governments	1,265,701	0	1,265,701
Net pension asset	2,758,689	0	2,758,689
Customer loan program	0	1,042,189	1,042,189
Interest receivable	0	395	395
Grants receivable	117,577	0	117,577
Other	0	177,595	177,595
Sweetwater Utilities Board - Electric Department	0	46,645	46,645
Inventories	0	766,193	766,193
Prepaid expenses	0	83,410	83,410
Note receivable-customer loan program	0	871,226	871,226
Pension trust contributions	70,378	0	70,378
Other postemployment benefit asset	0	276,121	276,121
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	893,184	2,750,179	3,643,363
Capital assets being depreciated, net of accumulated depreciation	<u>23,094,128</u>	<u>39,971,884</u>	<u>63,066,012</u>
	43,598,439	67,744,129	111,342,570

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 596,975	\$ 1,901,891	\$ 2,498,866
Accrued salaries	68,563	0	68,563
Customer deposits	0	1,128,985	1,128,985
Accrued expenses	0	1,347,805	1,347,805
Net pension liability	0	847,033	847,033
Net OPEB liability	1,492,358	0	1,492,358
Current portion of long-term debt	577,868	1,040,086	1,617,954
Long-term debt, net of current portion	<u>6,403,117</u>	<u>7,829,890</u>	<u>14,233,007</u>
	9,138,881	14,095,690	23,234,571
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	2,037,357	0	2,037,357
Deferred inflows related to other postemployment benefits	282,901	230,628	513,529
Deferred inflows related to pensions	<u>1,082,454</u>	<u>696,571</u>	<u>1,779,025</u>
	3,402,712	927,199	4,329,911

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION

(continued)

June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to other postemployment benefits	484,033	0	484,033
Deferred outflows related to pensions	1,414,002	2,827,756	4,241,758
	<u>1,898,035</u>	<u>2,827,756</u>	<u>4,725,791</u>
	<u>\$ 45,496,477</u>	<u>\$ 70,571,885</u>	<u>\$ 116,068,362</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
NET POSITION			
Net investment in capital assets	17,006,327	34,783,230	51,789,557
Restricted	11,998,908	276,121	12,275,029
Unrestricted	<u>3,949,646</u>	<u>20,489,645</u>	<u>24,439,291</u>
	<u>32,954,881</u>	<u>55,548,996</u>	<u>88,503,878</u>
	<u>\$ 45,496,477</u>	<u>\$ 70,571,885</u>	<u>\$ 116,068,362</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	<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	\$ 1,352,565	\$ 137,561	\$ 247,518	\$ 0
Public safety	2,642,821	96,463	20,765	43,454
Public welfare	1,021,501	34,568	315,946	0
Streets and highways	1,217,631	30,652	229,498	24,398
Waste management	315,595	299,972	0	0
Education	13,480,883	194,763	11,098,667	0
Interest on long-term debt	<u>55,588</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	20,086,586	793,979	11,912,395	67,852
Business-Type Activities:				
Electric	22,135,418	24,821,689	0	0
Natural gas	1,762,037	2,198,097	0	0
Water and sewer	<u>3,123,456</u>	<u>3,853,825</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>27,020,911</u>	<u>30,873,611</u>	<u>0</u>	<u>0</u>
	<u>\$ 47,107,497</u>	<u>\$ 31,667,590</u>	<u>\$ 11,912,395</u>	<u>\$ 67,852</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (967,486)	\$ 0	\$ (967,486)
(2,482,139)	0	(2,482,139)
(670,987)		(670,987)
(933,083)	0	(933,083)
(15,623)		(15,623)
(2,187,453)	0	(2,187,453)
<u>(55,588)</u>	<u>0</u>	<u>(55,588)</u>
(7,312,360)	0	(7,312,360)
0	2,686,271	2,686,271
0	436,060	436,060
<u>0</u>	<u>730,369</u>	<u>730,369</u>
<u>0</u>	<u>3,852,700</u>	<u>3,852,700</u>
<u>\$ (7,312,360)</u>	<u>\$ 3,852,700</u>	<u>\$ (3,459,660)</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2021

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
\$ (7,312,360)	\$ 3,852,700	\$ (3,459,660)
3,578,668	0	3,578,668
56,672	0	56,672
4,866,747	0	4,866,747
256,996	0	256,996
271,791	0	271,791
72,049	0	72,049
75,388	0	75,388
85,063	0	85,063
1,171,510	0	1,171,510
38,762	153,424	192,186
34,738	0	34,738
140,130	0	140,130
94,710	0	94,710
10,743,224	153,424	10,896,648
615,000	(615,000)	0
11,358,224	(461,576)	10,896,648
4,045,864	3,391,124	7,436,988
28,909,019	52,157,872	81,066,890
<u>\$ 32,954,881</u>	<u>\$ 55,548,996</u>	<u>\$ 88,503,878</u>

CITY OF SWEETWATER, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2021

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
ASSETS				
Cash	\$ 3,866,887	\$ 358,999	\$ 83,718	\$ 373,207
Certificates of deposit	100,000	0	0	0
Accounts receivable	92,601	0	0	0
Property taxes receivable	2,578,252	0	0	0
Other taxes receivable	191,650	0	0	0
Grant receivable	60,012	10,404	0	47,160
Pension trust contributions	0	0	0	0
Due from other funds	0	0	0	0
Due from other governments	<u>142,878</u>	<u>20,306</u>	<u>0</u>	<u>0</u>
	<u>\$ 7,032,280</u>	<u>\$ 389,709</u>	<u>\$ 83,718</u>	<u>\$ 420,367</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>
\$ 7,477,341	\$ 201,562	\$ 0	\$ 74,567	\$ 12,436,279
0	0	0	0	100,000
0	0	0	0	92,601
0	0	0	0	2,578,252
0	0	0	0	191,650
0	0	0	0	117,577
70,378	0	0	0	70,378
36,949	0	0	0	36,949
<u>842,502</u>	<u>58,439</u>	<u>201,576</u>	<u>0</u>	<u>1,265,701</u>
<u>\$ 8,427,170</u>	<u>\$ 260,000</u>	<u>\$ 201,576</u>	<u>\$ 74,567</u>	<u>\$ 16,889,387</u>

CITY OF SWEETWATER, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

(continued)

June 30, 2021

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
LIABILITIES				
Accounts payable	\$ 55,787	\$ 0	\$ 10,826	\$ 53,966
Accrued salaries	0	0	0	0
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	55,787	0	10,826	53,966
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	2,581,252	0	0	0
FUND BALANCES				
Restricted	78,523	389,709	72,892	317,689
Assigned	0	0	0	48,711
Unassigned	<u>4,316,718</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>4,395,241</u>	<u>389,709</u>	<u>72,892</u>	<u>366,402</u>
	<u>\$ 7,032,280</u>	<u>\$ 389,709</u>	<u>\$ 83,718</u>	<u>\$ 420,367</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>
\$ 330,073	\$ 0	\$ 146,323	\$ 0	\$ 596,975
14,549	0	54,014	0	68,563
0	36,949	0	0	36,949
<u>344,622</u>	<u>36,949</u>	<u>200,337</u>	<u>0</u>	<u>702,487</u>
0	0	0	0	2,581,252
8,082,549	223,051	1,239	0	9,165,652
0	0	0	0	48,711
0	0	0	74,567	4,391,285
<u>8,082,549</u>	<u>223,051</u>	<u>1,239</u>	<u>74,567</u>	<u>13,605,649</u>
<u>\$ 8,427,170</u>	<u>\$ 260,000</u>	<u>\$ 201,576</u>	<u>\$ 74,567</u>	<u>\$ 16,889,387</u>

CITY OF SWEETWATER, TENNESSEE

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

June 30, 2021

Total Fund Balance - Governmental Funds	\$ 13,605,649
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.	23,987,311
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	2,758,689
Deferred outflows of resources	1,414,002
Deferred inflows of resources	(1,082,454)
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.	(1,291,226)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(6,980,985)
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>543,895</u>
Net Position of Governmental Activities	<u>\$ 32,954,881</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, 2021

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
REVENUE				
Taxes:				
Property taxes	\$ 2,044,215	\$ 0	\$ 0	\$ 0
Interest and penalty	49,206	0	0	0
Local sales tax	3,336,835	0	0	0
Business tax	190,615	0	0	0
Mixed drink tax	65,168	0	0	0
Franchise tax	85,063	0	0	0
Occupancy tax	0	0	0	75,388
Wholesale beer tax	271,791	0	0	0
Intergovernmental	1,305,731	253,896	0	47,160
Licenses and permits	62,748	0	0	0
Receipts for use of facilities	13,800	0	0	0
Fines and forfeitures	29,571	0	11,325	0
Charges for service	598,645	0	0	4,007
Internal school revenue	0	0	0	163,977
Other revenue	<u>128,856</u>	<u>0</u>	<u>0</u>	<u>71,961</u>
TOTAL REVENUE	8,182,245	253,896	11,325	362,493
EXPENDITURES				
Current:				
General government	1,116,666	0	0	46,359
Public safety	2,572,317	0	4,853	0
Public welfare	710,711	0	0	205,837
Highways and streets	1,011,830	133,962	0	0
Waste management	315,595	0	0	0
Education	20,524	0	0	0
Internal school expense	0	0	0	178,878

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>
\$ 1,589,169	\$ 0	\$ 0	\$ 0	\$ 3,633,384
7,466	0	0	0	56,672
1,529,912	0	0	0	4,866,747
66,381	0	0	0	256,996
6,881	0	0	0	72,049
0	0	0	0	85,063
0	0	0	0	75,388
0	0	0	0	271,791
9,185,224	818,295	1,382,241	0	12,992,548
0	0	0	0	62,748
0	0	0	0	13,800
0	0	0	0	40,896
0	18,486	0	0	621,138
0	0	0	0	163,977
<u>89,773</u>	<u>3,176</u>	<u>0</u>	<u>782</u>	<u>294,548</u>
12,474,806	839,957	1,382,241	782	23,507,745
0	0	0	0	1,163,025
0	0	0	0	2,577,170
0	0	0	0	916,548
0	0	0	0	1,145,792
0	0	0	0	315,595
10,941,924	794,593	1,381,002	0	13,138,044
0	0	0	0	178,878

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	General Fund	State Street Aid Fund	Drug Fund	Other Governmental Funds
Capital outlay	832,612	40,169	0	0
Debt service	<u>272,004</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>6,852,258</u>	<u>174,132</u>	<u>4,853</u>	<u>431,074</u>
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	1,329,986	79,765	6,472	(68,581)
OTHER FINANCING SOURCES(USES)				
Bond proceeds	500,000	0	0	0
Transfers (to)from other funds	<u>(65,000)</u>	<u>0</u>	<u>0</u>	<u>90,000</u>
NET CHANGE IN FUND BALANCES	1,764,986	79,765	6,472	21,419
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>2,630,255</u>	<u>309,944</u>	<u>66,420</u>	<u>344,982</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 4,395,241</u>	<u>\$ 389,709</u>	<u>\$ 72,892</u>	<u>\$ 366,402</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>
0	0	0	0	872,781
<u>387,740</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>659,744</u>
<u>11,329,664</u>	<u>794,593</u>	<u>1,381,002</u>	<u>0</u>	<u>20,967,577</u>
1,145,142	45,364	1,239	782	2,540,168
0	0	0	0	500,000
<u>590,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>615,000</u>
1,735,142	45,364	1,239	782	3,655,168
<u>6,347,407</u>	<u>177,687</u>	<u>0</u>	<u>73,785</u>	<u>9,950,480</u>
<u>\$ 8,082,549</u>	<u>\$ 223,051</u>	<u>\$ 1,239</u>	<u>\$ 74,567</u>	<u>\$ 13,605,649</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, 2021

Net Change in Fund Balances	\$ 3,655,168
<p>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:</p>	
Acquisition of capital assets	872,781
Depreciation expense	(1,255,295)
Gain on disposal of capital asset	19,250
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.</p>	
	802,251
<p>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:</p>	
Deferred tax revenue - June 30, 2020	(598,611)
Deferred tax revenue - June 30, 2021	543,895
<p>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:</p>	
Pension expense	(35,815)
<p>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</p>	
	(49,447)
<p>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</p>	
	45,170

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, 2021

Long-term debt provides current financial resources in the governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities.	(500,000)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>546,516</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,045,864</u></u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$ 1,975,000	\$ 2,030,000	\$ 2,044,215	\$ 14,215
Interest and penalty	27,000	40,000	49,206	9,206
Local sales tax	2,206,000	3,136,000	3,336,835	200,835
Business tax	150,000	191,000	190,615	(385)
Mixed drink tax	47,000	59,000	65,168	6,168
Franchise tax	84,500	84,500	85,063	563
Wholesale beer tax	266,000	266,000	271,791	5,791
	4,755,500	5,806,500	6,042,894	236,394
Intergovernmental:				
State income tax	20,000	20,000	13,302	(6,698)
State beer tax	3,000	3,000	2,845	(155)
State mixed drink tax	6,000	6,000	11,149	5,149
State sales tax	580,000	1,208,000	639,062	(568,938)
Amusement tax	0	0	2,221	2,221
State police supplement	24,400	24,400	13,340	(11,060)
Corporate excise tax	13,000	41,000	28,909	(12,091)
Bulletproof vest grant	1,500	1,500	2,925	1,425
FEMA grant	1,000	315,000	43,454	(271,546)
LPRF grant	10,000	30,000	20,000	(10,000)
TML safety grant	4,500	4,500	4,500	0
In-lieu of tax payments	101,000	101,000	102,719	1,719
State tourism grant	0	0	5,118	5,118
Covid relief funds	0	275,547	247,518	(28,029)
Community development grants	150,000	150,000	156,738	6,738
Highways and streets	12,000	12,000	11,932	(68)
	926,400	2,191,947	1,305,731	(886,216)

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, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Licenses and permits:				
Beer licenses	8,000	8,000	3,333	(4,667)
Liquor licenses	1,000	1,000	0	(1,000)
Animal registration	1,500	1,500	950	(550)
Special assessments	2,000	2,000	15,906	13,906
General and special privilege	100	100	0	(100)
Building permits	30,000	42,000	42,558	558
	<u>42,600</u>	<u>54,600</u>	<u>62,748</u>	<u>8,148</u>
Receipts for use of facilities:				
Medical transportation rent	13,800	13,800	13,800	0
Fines and forfeitures	35,500	35,500	29,571	(5,929)
Charges for service:				
Photocopies	2,610	2,610	827	(1,783)
Highway and street charges	25,000	25,000	30,652	5,652
Clerks' fee-business tax	25,000	25,000	31,805	6,805
City garage charges	2,000	2,000	2,545	545
Board of Education	10,000	10,000	6,586	(3,414)
Pool fees and concessions	40,500	40,500	30,486	(10,014)
Recreation program	500	500	75	(425)
Sale of materials and land	35,000	145,000	140,130	(4,870)
Special police service	62,259	62,259	55,567	(6,692)
Solid waste collection fees	299,000	299,000	299,972	972
	<u>501,869</u>	<u>611,869</u>	<u>598,645</u>	<u>(13,224)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other revenue:				
Contributions	1,000	8,500	73,828	65,328
Interest	3,500	17,500	15,735	(1,765)
Insurance recoveries	1,500	1,500	30,483	28,983
Miscellaneous revenue	5,500	5,500	8,809	3,309
	<u>11,500</u>	<u>33,000</u>	<u>128,856</u>	<u>95,856</u>
TOTAL REVENUE	6,287,169	8,747,216	8,182,245	(564,971)
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	30,900	0
OASDI	2,800	2,800	2,731	(69)
Retirement	2,200	2,200	2,130	(70)
Publicity and subscriptions	8,000	8,000	6,654	(1,346)
Legal services	8,000	8,000	1,446	(6,554)
Travel	1,000	1,000	189	(811)
Telephone	500	500	548	48
Repairs and maintenance	6,000	6,000	100	(5,900)
Operating supplies	4,300	4,300	3,920	(380)
Other services	11,800	15,300	15,207	(93)
Community health	6,000	6,000	5,083	(917)
	<u>81,500</u>	<u>85,000</u>	<u>68,909</u>	<u>(16,091)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Financial administration:				
Salaries	192,546	192,546	194,478	1,932
OASDI	14,441	14,441	13,710	(731)
Health insurance	37,492	37,492	37,742	250
Retirement	13,585	13,585	13,722	137
Life insurance	208	208	203	(5)
Unemployment insurance	360	360	90	(270)
Dental insurance	1,200	1,200	1,221	21
Disability insurance	545	545	536	(9)
Vision insurance	261	261	244	(17)
Telephone	6,000	6,000	5,217	(783)
Accounting	22,100	22,100	23,500	1,400
Legal	500	500	0	(500)
Consulting services	4,000	4,000	3,476	(524)
Office supplies and postage	8,500	6,500	6,217	(283)
Surety bonds	3,500	3,500	270	(3,230)
Travel	4,500	4,500	3,178	(1,322)
Machinery and equipment	4,250	4,250	4,976	726
Other improvements	6,000	15,200	15,145	(55)
Data processing	42,000	42,000	41,856	(144)
	<u>361,988</u>	<u>369,188</u>	<u>365,779</u>	<u>(3,409)</u>
General government buildings:				
Salaries	48,747	48,747	48,553	(194)
OASDI	3,116	3,116	3,139	23
Health insurance	9,373	9,373	9,374	1
Retirement	2,994	2,994	2,963	(31)
Life insurance	51	51	50	(1)
Unemployment insurance	90	90	43	(47)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Disability insurance	137	137	135	(2)
Dental insurance	320	320	303	(17)
Utilities	28,800	28,800	23,622	(5,178)
Repairs	75,000	75,000	57,504	(17,496)
Operating supplies	4,350	4,350	5,048	698
	<u>172,978</u>	<u>172,978</u>	<u>150,734</u>	<u>(22,244)</u>
Tourism:				
Salaries	19,150	19,150	18,495	(655)
OASDI	1,388	1,388	1,415	27
Unemployment insurance	210	210	56	(154)
Utilities	16,500	16,500	13,192	(3,308)
Other operating supplies	4,500	4,500	5,121	621
	<u>41,748</u>	<u>41,748</u>	<u>38,279</u>	<u>(3,469)</u>
Other general government:				
Salaries	17,000	17,000	1,000	(16,000)
OASDI	1,600	1,600	6,478	4,878
Retirement	0	0	71	71
Health insurance	11,100	11,100	4,781	(6,319)
Dental, vision and life insurance	240	240	6	(234)
Unemployment insurance	90	90	0	(90)
Disability insurance	75	75	2	(73)
Other insurance	216,000	231,000	221,633	(9,367)
Memberships and registration fees	3,060	3,060	3,060	0
Utilities, phone and TV service	6,250	6,250	7,894	1,644
Medical services	1,000	1,000	170	(830)
Travel and training	2,000	2,000	2,139	139

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other operating supplies	16,650	26,650	44,632	17,982
Charitable donations	20,000	25,000	25,029	29
Community improvement	52,500	68,500	68,680	180
Downtown improvements	100,000	126,000	94,490	(31,510)
Christmas decorations	5,000	5,000	7,145	2,145
Independence Day	3,000	3,000	3,000	0
	<u>455,565</u>	<u>527,565</u>	<u>490,211</u>	<u>(37,354)</u>
Police department:				
Salaries	1,074,016	1,074,016	990,746	(83,270)
OASDI	80,551	80,551	73,317	(7,234)
Retirement	70,401	70,401	62,321	(8,080)
Health insurance	187,460	187,460	183,163	(4,297)
Dental, vision and life insurance	9,410	9,410	8,393	(1,017)
Unemployment insurance	2,100	2,100	604	(1,496)
Disability insurance	2,800	2,800	2,626	(174)
Telephone	15,000	22,800	22,824	24
Medical services	2,000	2,000	1,257	(743)
Car maintenance	15,000	15,000	17,170	2,170
Publicity/subscriptions	500	500	0	(500)
Travel and training	7,500	7,500	13,062	5,562
Uniforms	7,000	7,000	18,048	11,048
Firearms and supplies	9,000	9,000	13,108	4,108
Gas, oil and grease	29,000	29,000	31,363	2,363
Office supplies and materials	4,100	4,100	3,935	(165)
Special investigative	500	500	163	(337)
Data processing services	7,000	7,000	9,745	2,745
Other operating supplies	6,400	6,400	12,709	6,309
	<u>1,529,738</u>	<u>1,537,538</u>	<u>1,464,554</u>	<u>(72,984)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Sanitation department:				
Contractual services	270,000	270,000	270,412	412
Landfill services	35,100	46,100	45,183	(917)
	<u>305,100</u>	<u>316,100</u>	<u>315,595</u>	<u>(505)</u>
Fire department:				
Salaries	656,559	672,559	643,483	(29,076)
OASDI	49,167	49,167	47,878	(1,289)
Retirement	45,586	45,586	42,319	(3,267)
Health insurance	121,849	121,849	119,532	(2,317)
Dental, vision and life insurance	5,420	5,420	5,286	(134)
Unemployment insurance	1,350	1,350	300	(1,050)
Disability insurance	1,921	1,921	1,714	(207)
Utilities	14,000	14,000	16,140	2,140
Telephone	8,000	8,000	8,394	394
Fire hydrant rental	30,000	30,000	25,188	(4,812)
Medical services	5,500	5,500	1,073	(4,427)
Maintenance	29,000	29,000	28,743	(257)
Travel and training	9,000	14,000	13,414	(586)
Uniforms	5,000	5,000	4,688	(312)
Gas, oil and grease	8,500	8,500	9,551	1,051
Other operating supplies	23,200	63,200	52,552	(10,648)
	<u>1,014,052</u>	<u>1,075,052</u>	<u>1,020,255</u>	<u>(54,797)</u>
Communications services:				
Contract services	82,948	82,948	82,700	(248)
Utilities	750	750	391	(359)
Other improvements	500	4,000	4,417	417
	<u>84,198</u>	<u>87,698</u>	<u>87,509</u>	<u>(189)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Building inspection:				
Salaries	98,926	98,926	92,196	(6,730)
OASDI	7,419	7,419	6,940	(479)
Retirement	6,260	6,260	6,503	243
Health insurance	18,746	18,746	19,918	1,172
Dental, vision and life insurance	827	827	880	53
Unemployment insurance	310	310	42	(268)
Disability insurance	295	295	286	(9)
Telephone	2,500	2,500	1,579	(921)
Travel and training	3,000	3,000	3,143	143
Uniforms	750	750	132	(618)
Gas, oil and grease	1,000	1,000	566	(434)
State planning office	15,000	15,000	9,975	(5,025)
Office supplies	3,000	3,000	2,133	(867)
Professional services	3,925	3,925	1,797	(2,128)
Mowing assessments	28,000	28,000	1,733	(26,267)
Operating supplies	5,250	5,250	806	(4,444)
	<u>195,208</u>	<u>195,208</u>	<u>148,629</u>	<u>(46,579)</u>
Street lighting:				
Utilities	205,000	205,000	201,840	(3,160)
Highways and streets:				
Salaries	530,381	532,881	515,563	(17,318)
OASDI	39,779	39,779	38,091	(1,688)
Retirement	37,153	37,153	36,261	(892)
Health insurance	112,476	112,476	112,487	11
Dental, vision and life insurance	5,476	5,476	5,027	(449)
Unemployment insurance	1,200	1,200	252	(948)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Disability insurance	1,750	1,750	1,616	(134)
Utilities	6,500	6,500	8,421	1,921
Telephone	5,000	5,000	9,402	4,402
Feeding prisoners	4,000	4,000	0	(4,000)
Maintenance	23,000	23,000	29,576	6,576
Tools	1,000	1,000	985	(15)
Travel and training	500	500	143	(357)
Uniforms	3,500	3,500	4,031	531
Gas, oil and grease	27,000	27,000	28,358	1,358
Other operating supplies	13,000	21,000	19,774	(1,226)
	<u>811,715</u>	<u>822,215</u>	<u>809,989</u>	<u>(12,226)</u>
Rabies and animal control:				
Utilities	2,500	2,500	2,259	(241)
Operating supplies	<u>1,500</u>	<u>1,500</u>	<u>812</u>	<u>(688)</u>
	4,000	4,000	3,071	(929)
Economic development:				
Operating supplies	1,000	1,000	776	(224)
Grants to businesses	0	20,000	20,000	0
Travel and training	<u>3,000</u>	<u>3,000</u>	<u>2,612</u>	<u>(388)</u>
	4,000	24,000	23,389	(611)
Recreation:				
Salaries	272,943	294,043	294,663	620
OASDI	20,471	20,471	22,605	2,134
Retirement	17,608	17,608	17,714	106
Health insurance	56,613	56,613	55,006	(1,607)
Dental, vision and life insurance	2,025	2,025	2,053	28
Unemployment insurance	1,000	1,000	154	(846)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance
	Original	Final		Over (Under)
Disability insurance	750	750	784	34
Utilities	48,000	48,000	48,178	178
Telephone	5,000	5,000	6,060	1,060
Medical services	750	750	1,778	1,028
Repairs and maintenance	16,500	32,100	27,376	(4,724)
Travel and training	1,500	1,500	2,477	977
Feeding prisoners	4,500	4,500	19	(4,481)
Publicity/subscriptions	500	500	0	(500)
Memberships and registration fees	800	800	1,100	300
Uniforms	1,500	1,500	1,872	372
Gas, oil and grease	8,000	8,000	8,778	778
Operating supplies	14,300	19,400	39,931	20,531
	472,760	514,560	530,549	15,989
Museum:				
Utilities	1,800	1,800	1,514	(286)
Repairs and maintenance	250	250	0	(250)
Operating supplies	250	250	564	314
	2,300	2,300	2,078	(222)
Tree grant:				
Utilities	2,000	3,000	2,996	(4)
Education:				
Gas, oil and grease	10,000	10,000	9,996	(4)
Operating supplies	8,000	11,000	10,528	(472)
	18,000	21,000	20,524	(476)
Capital outlay:				
Recreation	4,000	12,000	10,000	(2,000)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance
	Original	Final		Over (Under)
Police	80,000	121,000	174,548	53,548
Fire	14,000	647,642	648,064	422
Building inspections	1,000	1,000	0	(1,000)
	<u>99,000</u>	<u>781,642</u>	<u>832,612</u>	<u>50,970</u>
Debt service:				
Bond principal	167,272	167,272	216,416	49,144
Interest expense on bonds	43,298	48,298	55,588	7,290
	<u>210,570</u>	<u>215,570</u>	<u>272,004</u>	<u>56,434</u>
TOTAL EXPENDITURES	<u>6,074,271</u>	<u>7,004,213</u>	<u>6,852,258</u>	<u>(151,955)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	192,898	1,613,003	1,329,986	(283,017)
OTHER FINANCING SOURCES(USES)				
Note proceeds	0	1,000,000	500,000	(500,000)
Transfer from proprietary funds	615,000	615,000	615,000	0
Transfer from tourism fund	30,000	30,000	40,000	10,000
Transfer to library fund	(130,000)	(130,000)	(130,000)	0
Transfer to general purpose school fund	(590,000)	(590,000)	(590,000)	0
	<u>(75,000)</u>	<u>925,000</u>	<u>435,000</u>	<u>(490,000)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
NET CHANGE IN FUND BALANCE	117,898	2,538,003	1,764,986	773,017
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>2,630,255</u>	<u>2,630,255</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 117,898</u>	<u>\$ 2,538,003</u>	<u>\$ 4,395,241</u>	<u>\$ 1,857,238</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, 2021

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUE				
State gasoline tax	\$ 227,000	\$ 227,000	\$ 217,499	\$ (9,501)
Multimodel grant	25,000	25,000	24,398	(602)
Safe routes to school grant	<u>175,000</u>	<u>175,000</u>	<u>12,000</u>	<u>(163,000)</u>
TOTAL REVENUE	427,000	427,000	253,896	(173,104)
EXPENDITURES				
Operating supplies	3,500	3,500	2,171	(1,329)
Construction materials and supplies	45,000	45,000	29,770	(15,230)
Sign parts and supplies	3,000	3,000	2,729	(271)
Vehicle maintenance and repair	8,000	8,000	478	(7,522)
Equipment maintenance and repair	16,000	24,000	24,543	543
Street maintenance and repairs	85,000	131,000	74,271	(56,729)
Capital outlay	<u>290,000</u>	<u>290,000</u>	<u>40,169</u>	<u>(249,831)</u>
TOTAL EXPENDITURES	<u>450,500</u>	<u>504,500</u>	<u>174,132</u>	<u>(330,368)</u>
NET CHANGE IN FUND BALANCE	(23,500)	(77,500)	79,765	157,265
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>23,500</u>	<u>77,500</u>	<u>309,944</u>	<u>232,444</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389,709</u>	<u>389,709</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
DRUG FUND**

Year Ended June 30, 2021

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUE				
Drug related fines	\$ 7,600	\$ 7,600	\$ 11,325	\$ 3,725
Forfeitures	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>(15,000)</u>
TOTAL REVENUE	22,600	22,600	11,325	(11,275)
EXPENDITURES				
Salaries	2,000	2,000	0	(2,000)
Professional services	100	100	0	(100)
Telephone	2,000	2,000	1,186	(814)
Operating supplies	1,500	1,500	1,500	0
Special investigation	7,500	7,500	0	(7,500)
Vehicle maintenance	1,500	1,500	0	(1,500)
Uniforms	500	500	0	(500)
Sundry	<u>2,500</u>	<u>2,500</u>	<u>2,168</u>	<u>(332)</u>
TOTAL EXPENDITURES	<u>17,600</u>	<u>17,600</u>	<u>4,853</u>	<u>(12,747)</u>
NET CHANGE IN FUND BALANCE	5,000	5,000	6,472	1,472
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>66,420</u>	<u>66,420</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 72,892</u>	<u>\$ 67,892</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**

Year Ended June 30, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Intergovernmental revenue:				
Monroe County:				
Property tax-current	\$ 1,110,000	\$ 1,110,000	\$ 1,524,732	\$ 414,732
Property tax-prior year	75,000	75,000	64,436	(10,564)
Interest and penalty	10,000	10,000	7,466	(2,534)
Pick-up taxes	3,000	3,000	0	(3,000)
Business taxes, licenses, fines and fees	30,200	30,200	66,381	36,181
Local sales tax	861,000	861,000	1,529,912	668,912
State income tax	12,500	12,500	8,783	(3,717)
Mixed drink tax	1,100	1,100	6,881	5,781
State revenue sharing	100,000	100,000	100,000	0
TDOT enhancement grant	0	16,210	31,630	15,420
In-Lieu of tax payments-TVA	12,000	12,000	1,949	(10,051)
In-Lieu of tax payments-other	53,700	53,700	144,732	91,032
	2,268,500	2,284,710	3,486,901	1,202,191
State of Tennessee:				
Basic Education Program	8,178,000	8,178,000	8,223,000	45,000
Coordinated school health	87,000	86,395	87,000	605
Early childhood education	286,667	286,667	286,954	287
School food services	800	800	781	(19)
Career ladder program	37,381	37,381	33,864	(3,517)
Other state education	184,190	307,677	266,531	(41,146)
	8,774,038	8,896,920	8,898,131	1,211

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, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other revenue:				
Tuition	8,000	8,000	12,300	4,300
Interest on investments	2,000	2,000	21,847	19,847
Contributions	0	2,800	13,547	10,747
Rental income	4,500	4,500	0	(4,500)
Insurance recovery	0	0	4,255	4,255
Other	28,948	28,948	37,825	8,877
	43,448	46,248	89,773	43,525
TOTAL REVENUE	11,085,986	11,227,878	12,474,806	1,246,928
EXPENDITURES				
General purpose:				
Salaries	7,376,732	7,484,875	7,156,905	(327,970)
OASDI	614,359	622,238	508,016	(114,222)
Retirement	271,048	277,126	631,884	354,758
Employee insurance	1,129,847	1,129,577	1,087,126	(42,451)
Instructional supplies/materials	366,674	382,285	370,492	(11,793)
Other supplies and materials	11,868	16,186	12,164	(4,022)
Other contracted services	431,501	431,501	403,448	(28,053)
Communication	20,487	20,487	23,695	3,208
Travel	18,450	14,865	3,182	(11,683)
Maintenance and repair	105,200	105,200	46,549	(58,651)
Equipment	102,299	102,299	39,237	(63,062)
In-service/staff development	18,050	18,050	4,923	(13,127)
Dues and memberships	9,733	9,733	9,122	(611)
Insurance	131,500	131,500	125,363	(6,137)
Trustee's commission	42,000	42,000	49,072	7,072
Utilities	405,100	405,100	350,894	(54,206)
Disposal fees	15,500	15,500	15,720	220
Custodial supplies	30,000	30,000	30,060	60

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, 2021

	Budget		Actual	Variance Over (Under)
	Original	Final		
Administrative equipment	4,000	4,000	742	(3,258)
Gas and fuel	11,000	11,000	6,307	(4,693)
Internet connectivity	21,060	21,060	21,302	242
Other charges	51,468	54,268	45,720	(8,548)
	<u>11,187,876</u>	<u>11,328,850</u>	<u>10,941,924</u>	<u>(386,926)</u>
Debt service:				
Bond principal	330,100	330,100	330,100	0
Interest expense on bonds	155,603	155,603	57,640	(97,963)
	<u>485,703</u>	<u>485,703</u>	<u>387,740</u>	<u>(97,963)</u>
TOTAL EXPENDITURES	<u>11,673,579</u>	<u>11,814,553</u>	<u>11,329,664</u>	<u>(484,889)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(587,593)	(586,675)	1,145,142	1,731,817
OTHER FINANCING SOURCES				
Transfer from general fund	<u>573,500</u>	<u>573,500</u>	<u>590,000</u>	<u>16,500</u>
NET CHANGE IN FUND BALANCE	(14,093)	(13,175)	1,735,142	1,748,317
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>14,093</u>	<u>13,175</u>	<u>6,347,407</u>	<u>6,334,232</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,082,549</u>	<u>\$ 8,082,549</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Student lunches	\$ 95,000	\$ 95,000	\$ 6,176	\$ (88,824)
Adult lunches	17,500	17,500	12,193	(5,307)
Breakfast	915	915	4	(911)
U.S.D.A. reimbursement	754,150	754,150	811,268	57,118
State matching funds	7,600	7,600	7,027	(573)
Student a-la-carte	32,500	32,500	113	(32,387)
Other income	<u>3,900</u>	<u>3,900</u>	<u>3,176</u>	<u>(724)</u>
TOTAL REVENUE	911,565	911,565	839,957	(71,608)
EXPENDITURES				
Labor	476,912	476,912	426,854	(50,058)
Food	303,000	303,000	270,268	(32,732)
Nonfood supplies and expenditures	<u>109,397</u>	<u>109,397</u>	<u>97,472</u>	<u>(11,925)</u>
TOTAL EXPENDITURES	<u>889,309</u>	<u>889,309</u>	<u>794,593</u>	<u>(94,716)</u>
NET CHANGE IN FUND BALANCE	22,256	22,256	45,364	23,108
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>177,687</u>	<u>177,687</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 22,256</u>	<u>\$ 22,256</u>	<u>\$ 223,051</u>	<u>\$ 200,795</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 FEDERAL PROJECT FUND**

Year Ended June 30, 2021

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Grants	\$ 897,199	\$2,848,161	\$ 1,382,241	\$ (1,465,920)
EXPENDITURES				
Salaries	649,031	817,646	669,019	(148,627)
OASDI	44,857	51,781	41,736	(10,045)
Insurance	58,164	60,468	47,789	(12,679)
Retirement	36,996	46,122	31,813	(14,309)
Instructional supplies and materials	22,839	1,671,790	454,889	(1,216,901)
In-service/staff development	20,551	33,440	9,997	(23,443)
Contracts with other agencies	64,192	146,344	125,688	(20,656)
Other charges	<u>1,200</u>	<u>21,200</u>	<u>70</u>	<u>(21,130)</u>
TOTAL EXPENDITURES	<u>897,830</u>	<u>2,848,792</u>	<u>1,381,002</u>	<u>(1,467,790)</u>
NET CHANGE IN FUND BALANCE	(631)	(625)	1,239	1,864
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>631</u>	<u>625</u>	<u>0</u>	<u>(625)</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,239</u>	<u>\$ 1,239</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, 2021

	<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	\$ 782	\$ (9,218)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>73,785</u>	<u>73,785</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 74,567</u>	<u>\$ 64,567</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CURRENT ASSETS				
Cash	\$ 6,433,053	\$ 6,131,474	\$ 4,292,295	\$ 16,856,822
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	1,951,470	0	0	1,951,470
Customer loan program	121,256	27,179	0	148,435
Interest	0	355	40	395
Other	157,147	0	20,448	177,595
Sweetwater Utilities Board				
Electric Department	0	46,645	0	46,645
Inventories:				
Stored gas	0	211,071	0	211,071
Materials and supplies	390,430	58,181	106,511	555,122
Prepaid expenses	<u>83,410</u>	<u>0</u>	<u>0</u>	<u>83,410</u>
	9,271,766	7,929,905	4,727,294	21,928,965

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	\$ 445,000	\$ 0	\$ 548,441	\$ 993,441
Current maturities of long-term debt due to Gas Department	46,645	0	0	46,645
Accounts payable	1,717,776	151,820	32,295	1,901,891
Customers' deposits	1,128,985	0	0	1,128,985
Accrued expenses	<u>673,144</u>	<u>166,206</u>	<u>508,455</u>	<u>1,347,805</u>
	4,011,550	318,026	1,089,191	5,418,767
NONCURRENT LIABILITIES				
Long-term debt, less current maturities	1,041,000	0	5,904,392	6,945,392
Long-term debt, less current maturities due to Gas Department	884,498	0	0	884,498
Net pension liability	<u>581,691</u>	<u>96,342</u>	<u>169,000</u>	<u>847,033</u>
	2,507,189	96,342	6,073,392	8,676,923
DEFERRED INFLOWS OF RESOURCES				
Deferred outflows related to pensions	478,363	79,228	138,980	696,571
Deferred outflows related to other postemployment benefits	<u>154,544</u>	<u>19,949</u>	<u>56,135</u>	<u>230,628</u>
	632,907	99,177	195,115	927,199

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2021

	<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	705,663	0	0	705,663
Note receivable-customer loan				
program, less current				
maturities	0	165,563	0	165,563
Note receivable-				
City of Sweetwater	0	884,498	9,256	893,754
Other postemployment				
benefit asset	185,029	23,884	67,208	276,121
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>1,300,692</u>	<u>1,418,945</u>	<u>373,464</u>	<u>3,093,101</u>
CAPITAL ASSETS				
Utility Plan	43,262,968	5,125,727	27,889,466	76,278,161
Accumulated depreciation	<u>(21,606,153)</u>	<u>(2,497,597)</u>	<u>(9,452,348)</u>	<u>(33,556,098)</u>
	21,656,815	2,628,130	18,437,118	42,722,063
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows				
related to pensions	<u>1,941,933</u>	<u>321,629</u>	<u>564,194</u>	<u>2,827,756</u>
	<u>\$ 34,171,206</u>	<u>\$ 12,298,609</u>	<u>\$ 24,102,070</u>	<u>\$ 70,571,885</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	20,170,815	2,628,130	11,984,285	34,783,230
Restricted for other postemployment benefits	185,029	23,884	67,208	276,121
Unrestricted	<u>6,663,716</u>	<u>9,133,050</u>	<u>4,692,879</u>	<u>20,489,645</u>
	<u>27,019,560</u>	<u>11,785,064</u>	<u>16,744,372</u>	<u>55,548,996</u>
	<u>\$ 34,171,206</u>	<u>\$ 12,298,609</u>	<u>\$ 24,102,070</u>	<u>\$ 70,571,885</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
OPERATING REVENUE				
Residential	\$ 11,789,165	\$ 540,052	\$ 2,156,880	\$ 14,486,097
Commercial and industrial	0	1,587,640	1,567,392	3,155,032
Schools	0	45,799	0	45,799
Fire protection	0	0	27,468	27,468
Miscellaneous	81,029	3,546	102,085	186,660
General power under 50KW	2,652,363	0	0	2,652,363
General power 50KW and over	8,871,608	0	0	8,871,608
Street and outdoor lighting	704,493	0	0	704,493
Customers' forfeited discounts	173,962	0	0	173,962
Electric property	589,069	0	0	589,069
Less provision for uncollectible accounts	<u>(40,000)</u>	<u>0</u>	<u>0</u>	<u>(40,000)</u>
	24,821,689	2,177,037	3,853,825	30,852,551
OPERATING EXPENSES				
Purchased power-TVA	17,967,013	0	0	17,967,013
Purchased gas	0	1,127,648	0	1,127,648
Purchased water	0	0	183,950	183,950
Operations	1,632,456	472,764	1,691,620	3,796,840
Maintenance	1,132,270	35,606	397,249	1,565,125
Depreciation	<u>1,373,507</u>	<u>126,019</u>	<u>700,251</u>	<u>2,199,777</u>
	<u>22,105,246</u>	<u>1,762,037</u>	<u>2,973,070</u>	<u>26,840,353</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, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
INCOME FROM OPERATIONS	2,716,443	415,000	880,755	4,012,198
OTHER INCOME (EXPENSE)				
Interest income	69,611	60,444	23,369	153,424
Purchase gas refunds	0	21,060	0	21,060
Interest expense	<u>(30,172)</u>	<u>0</u>	<u>(150,386)</u>	<u>(180,558)</u>
	39,439	<u>81,504</u>	<u>(127,017)</u>	<u>(6,074)</u>
INCOME BEFORE OTHER FINANCING (USES)	2,755,882	496,504	753,738	4,006,124
OTHER FINANCING (USES)				
Transfers to general fund	<u>(535,000)</u>	<u>(80,000)</u>	<u>0</u>	<u>(615,000)</u>
CHANGES IN NET POSITION	2,220,882	416,504	753,738	3,391,124
NET POSITION AT THE BEGINNING OF THE YEAR	<u>24,798,678</u>	<u>11,368,560</u>	<u>15,990,634</u>	<u>52,157,872</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 27,019,560</u>	<u>\$ 11,785,064</u>	<u>\$ 16,744,372</u>	<u>\$ 55,548,996</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2021

	<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	\$ 24,778,691	\$ 2,177,037	\$ 3,834,763	\$ 30,790,491
Cash paid to suppliers	(19,615,636)	(1,333,382)	(1,366,063)	(22,315,081)
Cash paid to employees	<u>(1,243,409)</u>	<u>(256,291)</u>	<u>(919,485)</u>	<u>(2,419,185)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,919,646	587,364	1,549,215	6,056,225
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on				
customer deposits	(15,852)	0	0	(15,852)
Transfers-in-lieu of				
tax payments	<u>(535,000)</u>	<u>(80,000)</u>	<u>0</u>	<u>(615,000)</u>
NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(550,852)	(80,000)	0	(630,852)

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<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	(428,000)	0	0	(428,000)
Interest paid on capital related debt	(14,320)	0	0	(14,320)
Repayment of interdepartment loan	(41,208)	41,209	0	1
Interest paid on long-term debt	0	0	(150,386)	(150,386)
Principal payments on long-term debt	0	0	(532,633)	(532,633)
Acquisition and construction of capital assets	(1,712,062)	(118,260)	(860,224)	(2,690,546)
Gas equipment loans to customers	0	(57,100)	0	(57,100)
Repayment of gas equipment loans by customers	0	33,382	0	33,382
Cost of removing capital assets	(225,203)	(129,819)	(185)	(355,207)
Proceeds from disposal of capital assets	<u>497,650</u>	<u>127,565</u>	<u>121,995</u>	<u>747,210</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,923,143)	(103,023)	(1,421,433)	(3,447,599)

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<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	69,756	61,508	23,987	155,251
Energy loans made to customers	(209,706)	0	0	(209,706)
Repayments of energy loans by customers	187,974	0	0	187,974
Purchases of certificates of deposit in financial institutions	(1,090,000)	(5,900,000)	(1,210,000)	(8,200,000)
Maturities of certificates of deposit in financial institutions	<u>1,090,000</u>	<u>5,900,000</u>	<u>1,210,000</u>	<u>8,200,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>48,024</u>	<u>61,508</u>	<u>23,987</u>	<u>133,519</u>
NET INCREASE IN CASH	1,493,675	465,848	151,769	2,111,292
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,939,378</u>	<u>6,215,626</u>	<u>4,540,526</u>	<u>15,695,530</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,433,053</u>	<u>\$ 6,681,474</u>	<u>\$ 4,692,295</u>	<u>\$ 17,806,822</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Cash and temporary investments	\$ 6,433,053	\$ 6,131,474	\$ 4,292,295	\$ 16,856,822
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>
	6,978,053	7,931,474	4,897,295	19,806,822
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>\$ 6,433,053</u>	<u>\$ 6,681,474</u>	<u>\$ 4,692,295</u>	<u>\$ 17,806,822</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<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	\$ 2,716,443	\$ 415,000	\$ 880,755	\$ 4,012,198
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation, including amounts included in operating and maintenance expense accounts of \$78,088	1,419,016	158,598	712,468	2,290,082
Change in net pension liability	(512,131)	(102,389)	(146,300)	(760,820)
Change in net OPEB liability(asset)	(80,451)	(9,185)	(30,282)	(119,918)
Change in deferred outflows:				
Deferred cost of pension	295,517	83,438	(13,809)	365,146
Deferred cost of OPEB	41,822	4,106	16,333	62,261
Pension other deferrals	(58,348)	(18,284)	73,210	(3,422)
Purchase gas refund	0	21,060	0	21,060
(Increase)decrease in:				
Accounts receivable	(76,413)	0	(19,061)	(95,474)
Inventories	(43,146)	(43,071)	698	(85,519)
Prepaid expenses	175,228	21,098	96,709	293,035

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Increase(decrease) in:				
Accounts payable	(103,443)	36,771	(102,885)	(169,557)
Customer deposits	33,415	0	0	33,415
Accrued expenses	<u>112,137</u>	<u>20,222</u>	<u>81,378</u>	<u>213,737</u>
	<u>1,203,203</u>	<u>172,364</u>	<u>668,459</u>	<u>2,044,026</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,919,646</u></u>	<u><u>\$ 587,364</u></u>	<u><u>\$ 1,549,215</u></u>	<u><u>\$ 6,056,225</u></u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<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	\$ 38,456	\$ 7,642	\$ 4,034	\$ 78,046

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

June 30, 2021

ASSETS

Cash and cash equivalents	\$	123,516
Investments, at fair value		7,731,327
Employee contributions receivable		3,368
Accrued income		<u>4,990</u>

TOTAL ASSETS \$ 7,863,201

LIABILITY AND NET POSITION

LIABILITY

Employer voluntary contributions	\$	28,570
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NET POSITION

Restricted for pensions		<u>7,834,631</u>
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TOTAL LIABILITY AND NET POSITION \$ 7,863,201

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF FIDUCIARY CHANGES IN NET POSITION
FIDUCIARY FUND

Year Ended June 30, 2021

ADDITIONS

Employer contributions		\$ 393,168
Employee contributions		92,767
Investment income:		
Net appreciation in fair value of investments	\$ 613,217	
Interest	265,526	
Change in accrued income	<u>(2,248)</u>	<u>876,495</u>

TOTAL ADDITIONS 1,362,430

DEDUCTIONS

Benefits paid to participants	233,578	
Administrative expenses	<u>39,028</u>	<u>272,606</u>

CHANGE IN NET POSITION 1,089,824

Adjustment for change in employee voluntary contributions (5,940)

NET INCREASE IN PLAN FIDUCIARY NET POSITION 1,083,884

PLAN FIDUCIARY NET POSITION
AT THE BEGINNING OF THE YEAR 6,750,747

PLAN FIDUCIARY NET POSITION
AT THE END OF THE YEAR \$ 7,834,631

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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, 2021 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, 2021

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, 2021

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.

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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

The *internal school fund* is used to account for all revenue and expenditures of the individual internal schools. The budget for internal school funds are not approved by the City's Board of Commissioners or the Board of Education, therefore, no budget to actual statement has been presented for this fund.

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.

The City reports the following fiduciary fund:

The *Sweetwater Utility Board Defined Benefit Pension Plan* accounts for resources that are required to be held in trust for the members and beneficiaries of the pension plan.

The City had no internal service funds as of or for the year ended June 30, 2021.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Residual balances outstanding between funds at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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, 2021 for the electric fund, natural gas fund, and water and sewer fund was approximately \$641,500, \$24,500, and \$187,30, 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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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.

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, 2021 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 45,844,001
Accumulated depreciation	(21,856,689)
Principal balance on long-term debt	<u>(6,980,985)</u>
	<u>\$ 17,006,327</u>

Business-Type Activities:

Electric Fund:

Capital assets	\$ 43,262,968
Accumulated depreciation	(21,606,153)
Principal balance on long-term debt	<u>(1,486,000)</u>
	<u>\$ 20,170,815</u>

Natural Gas Fund:

Capital assets	\$ 5,125,727
Accumulated depreciation	<u>(2,497,597)</u>
	<u>\$ 2,628,130</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Water and Sewer Fund:

Capital assets	\$ 27,889,466
Accumulated depreciation	(9,452,348)
Principal balance on long-term debt	<u>(6,452,833)</u>
	<u>\$ 11,984,285</u>

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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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:

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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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.

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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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.

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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2020

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.

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, 2021 were as follows:

Business-Type Activities	
Accounts receivable, customers	\$ 41,694
Accounts receivable, customer loan program	<u>25,303</u>
	<u>\$ 66,997</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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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.

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, 2021, net of an allowance for uncollectible accounts of \$25,303, was \$705,663. The balance of the loans made under the natural gas fund's program at June 30, 2021 was \$192,742 with no allowance for uncollectible accounts reported.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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, 2021 were as follows:

Governmental Activities:

Cash on hand and in checking accounts	\$ 12,436,279
Certificate of deposit	<u>100,000</u>
	<u>\$ 12,536,729</u>

Business-Type Activities:

	<u>Unrestricted</u>	<u>Designated</u>	<u>Totals</u>
Cash on hand and in checking accounts	\$ 16,856,822	\$ 0	\$ 16,856,822
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>\$ 18,754,822</u>	<u>\$ 1,052,000</u>	<u>\$ 19,806,822</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, 2021 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, 2021

Deposits in financial institutions for the electric fund, natural gas fund and water and sewer fund consisted of the following at June 30, 2021:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Electric fund:			
Cash on hand and checking accounts	\$ 6,100		
Money market accounts	6,426,953	0.54%	
Certificate of deposit	100,000	0.50	October 25, 2021
Certificate of deposit	<u>445,000</u>	0.40	November 16, 2021
	<u>\$ 6,978,053</u>		

Natural gas fund:

Cash on hand and checking accounts	\$ 1,300		
Money market accounts	6,130,174	0.68%	
Certificate of deposit	300,000	0.50	July 8, 2021
Certificate of deposit	300,000	0.50	July 30, 2021
Certificate of deposit	300,000	0.50	August 18, 2021
Certificate of deposit	550,000	0.50	August 25, 2021
Certificate of deposit	250,000	0.40	September 28, 2021
Certificate of deposit	<u>100,000</u>	0.40	December 15, 2021
	<u>\$ 7,931,474</u>		

Water and sewer fund:

Cash on hand and checking accounts	\$ 1,800		
Money market accounts	4,290,495	0.48%	
Certificate of deposit	400,000	0.50	August 25, 2021
Certificate of deposit	150,000	0.50	October 25, 2021
Certificate of deposit	<u>55,000</u>	0.40	November 16, 2021
	<u>\$ 4,897,295</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, 2021

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. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

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, 2021, 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, 2021

- 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, 2021

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, 2021, 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%	\$ 21,817
Developed market international equity	12%	9,853
Emerging market international equity	6%	2,815
Private equity and strategic lending	20%	14,076
U.S. fixed income	20%	14,076
Real estate	10%	7,038
Short-term securities	<u>1%</u>	<u>704</u>
	<u>100%</u>	<u>\$ 70,378</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2021

Investment by Fair Value Level	Fair Value 6/30/21	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	\$ 21,817	\$ 21,817	\$ 0	\$ 0	\$ 0
Developed market					
international equity	9,853	9,853	0	0	0
Emerging market					
international equity	2,815	2,815	0	0	0
U.S fixed income	14,076	0	14,076	0	0
Real estate	7,038	0	0	7,038	0
Short-term securities	704	0	704	0	0
Private equity and strategic lending	<u>14,076</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,076</u>
Total	<u>\$ 70,378</u>	<u>\$ 34,484</u>	<u>\$ 14,780</u>	<u>\$ 7,038</u>	<u>\$ 14,076</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, 2021

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, 2021 from those in effect during the years ended June 30, 2020 and June 30, 2019. 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, 2021

NOTE E - CAPITAL ASSETS

Governmental Activities:

Capital assets activity for the year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/21</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 865,274	\$ 0	\$ 0	\$ 865,274
Construction in process	<u>0</u>	<u>27,909</u>	<u>0</u>	<u>27,909</u>
	865,274	27,909	0	893,183
<u>Capital assets being depreciated</u>				
Land and building improvements	30,737,555	0	0	30,737,555
Vehicles and equipment	7,175,718	917,382	(238,785)	7,854,315
Infrastructure	<u>6,358,947</u>	<u>0</u>	<u>0</u>	<u>6,358,947</u>
	44,272,220	917,382	(238,785)	44,950,817
<u>Accumulated depreciation</u>				
Land and building improvements	(12,648,821)	(744,285)	0	(13,393,106)
Vehicles and equipment	(6,111,723)	(299,126)	185,525	(6,225,324)
Infrastructure	<u>(2,026,375)</u>	<u>(211,884)</u>	<u>0</u>	<u>(2,238,259)</u>
	<u>(20,786,919)</u>	<u>(1,255,295)</u>	<u>185,525</u>	<u>(21,856,689)</u>
	<u>\$ 24,350,575</u>	<u>\$ (310,004)</u>	<u>\$ (53,260)</u>	<u>\$ 23,987,311</u>

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

General government	\$ 253,454
Education	653,068
Public safety	163,957
Public welfare	78,911
Streets and highways	<u>105,906</u>
	<u>\$ 1,255,295</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

	<u>Balance</u> <u>7/1/20</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>6/30/21</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	35,367,373	1,740,547	(396,911)	36,711,009
Facilities installation	<u>893,955</u>	<u>9,253</u>	<u>(3,744)</u>	<u>899,464</u>
	36,547,739	1,749,800	(400,655)	37,896,884
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	2,036,304	0	0	2,036,304
Equipment	2,541,711	616,806	(615,213)	2,543,304
Office furniture and fixtures	<u>436,922</u>	<u>13,013</u>	<u>(2,418)</u>	<u>447,517</u>
	5,055,956	629,819	(617,631)	5,068,144
Construction work in progress	<u>927,041</u>	<u>863,758</u>	<u>(1,492,859)</u>	<u>297,940</u>
	<u>\$ 42,530,736</u>	<u>\$ 3,243,377</u>	<u>\$(2,511,145)</u>	<u>\$ 43,262,968</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Electrical distribution system	\$ (17,112,694)	\$(1,298,014)	\$ 593,804	\$ (17,816,904)
Facilities installation	<u>(866,051)</u>	<u>0</u>	<u>6,339</u>	<u>(859,712)</u>
	(17,978,745)	(1,298,014)	600,143	(18,676,616)
General plant:				
Structures and improvements	(747,629)	(40,726)	0	(788,355)
Equipment	(2,161,265)	(92,011)	145,696	(2,107,580)
Office furniture and fixtures	<u>(6,880)</u>	<u>(26,722)</u>	<u>0</u>	<u>(33,602)</u>
	(2,915,774)	(159,459)	145,696	(2,929,537)
	<u>\$ (20,894,519)</u>	<u>\$(1,457,473)</u>	<u>\$ 745,839</u>	<u>\$ (21,606,153)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

	<u>Balance</u> <u>7/1/20</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>6/30/21</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>3,470,200</u>	<u>64,698</u>	<u>(2,445)</u>	<u>3,532,453</u>
	3,508,257	64,698	(2,445)	3,570,510
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	1,367,702	143,345	(123,860)	1,387,187
Office furniture and fixtures	<u>25,350</u>	<u>0</u>	<u>0</u>	<u>25,350</u>
	1,401,652	143,345	(123,860)	1,421,137
Construction work in progress	<u>92,361</u>	<u>112,135</u>	<u>(70,416)</u>	<u>134,080</u>
	<u>\$ 5,002,270</u>	<u>\$ 320,178</u>	<u>\$ (196,721)</u>	<u>\$ 5,125,727</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Structures and improvements	\$ (20,257)	\$ 0	\$ 0	\$ (20,257)
Gas distribution system	<u>(2,098,410)</u>	<u>(103,715)</u>	<u>8,404</u>	<u>(2,193,721)</u>
	(2,118,667)	(103,715)	8,404	(2,213,978)
General plant:				
Equipment	(214,449)	(61,004)	(3,705)	(279,158)
Office furniture and fixtures	<u>(2,940)</u>	<u>(1,521)</u>	<u>0</u>	<u>(4,461)</u>
	<u>(217,389)</u>	<u>(62,525)</u>	<u>(3,705)</u>	<u>(283,619)</u>
	<u>\$ (2,336,056)</u>	<u>\$ (166,240)</u>	<u>\$ 4,699</u>	<u>\$ (2,497,597)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

	<u>Balance 7/1/20</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 6/30/21</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	10,926,170	680,204	(119,295)	11,487,079
Furniture and fixtures	60,038	572	0	60,610
Equipment	<u>2,179,728</u>	<u>190,137</u>	<u>(136,016)</u>	<u>2,233,849</u>
	13,204,124	870,913	(255,311)	13,819,726
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	13,438,136	42,081	0	13,480,217
Equipment	<u>516,812</u>	<u>3,698</u>	<u>0</u>	<u>520,510</u>
	14,023,961	642,042	0	14,069,740
Construction work in progress	<u>52,432</u>	<u>642,042</u>	<u>(694,474)</u>	<u>0</u>
	<u>\$ 27,280,517</u>	<u>\$ 1,558,734</u>	<u>\$ (949,785)</u>	<u>\$ 27,889,466</u>
<u>Accumulated depreciation</u>				
Water plant:				
Structures and improvements	\$ (5,031,656)	\$ (276,492)	\$ 135,479	\$ (5,172,669)
Furniture and fixtures	(12,792)	(3,002)	0	(15,794)
Equipment	<u>(681,194)</u>	<u>(101,666)</u>	<u>(1,979)</u>	<u>(784,839)</u>
	(5,725,642)	(381,160)	133,500	(5,973,302)
Sewer plant:				
Structures and improvements	(2,815,108)	(310,899)	0	(3,126,007)
Equipment	<u>(328,596)</u>	<u>(24,443)</u>	<u>0</u>	<u>(353,039)</u>
	<u>(3,143,704)</u>	<u>(335,342)</u>	<u>0</u>	<u>(3,479,046)</u>
	<u>\$ (8,869,346)</u>	<u>\$ (716,502)</u>	<u>\$ 133,500</u>	<u>\$ (9,452,348)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Depreciation expense	\$ 1,373,508	\$ 126,019	\$ 700,251	\$ 2,199,778
Charged to clearing accounts and allocated to:				
Construction	38,456	7,642	4,034	50,132
Operating expense accounts	14,694	29,884	9,960	54,538
Maintenance expense accounts	<u>30,815</u>	<u>2,695</u>	<u>2,257</u>	<u>35,767</u>
	<u>\$ 1,457,473</u>	<u>\$ 166,240</u>	<u>\$ 716,502</u>	<u>\$ 2,340,215</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, 2021

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	90
Inactive employees entitled to but not yet receiving benefits	103
Active employees	<u>114</u>
	<u>307</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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, 2021, employer contributions were \$140,370, based on an actuarial determined rate of 3.67%. The City elected to make additional contributions of \$128,351 for total pension contributions of \$268,721 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, 2020, 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, 2020 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, 2020 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, 2021

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, 2021

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, 2020:			
Increase(decrease):			
Service cost	\$ 355,711	\$ 0	\$ 355,711
Interest	985,914	0	985,914
Differences between expected and actual experience	(290,659)	0	(290,659)
Contributions-employer	0	269,026	(269,026)
Contributions-employee	0	189,455	(189,455)
Net investment income	0	736,083	(736,083)
Benefit payments, including refunds of employee contributions	(554,043)	(554,043)	0
Administrative expense	<u>0</u>	<u>(10,045)</u>	<u>10,045</u>
Net changes for the year ended June 30, 2020	496,923	630,476	(133,553)
Balances at June 30, 2019	<u>13,520,120</u>	<u>14,892,913</u>	<u>(1,372,793)</u>
Balances at June 30, 2020	<u>\$ 14,017,043</u>	<u>\$ 15,523,389</u>	<u>\$ (1,506,346)</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)	<u>\$ 266,659</u>	<u>\$ (1,506,346)</u>	<u>\$ (2,987,094)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Pension Expense

For the year ended June 30, 2021, the City recognized negative pension expense of \$45,817 in the government-wide statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, 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	\$ 0	\$ 484,235
Net difference between projected and actual earnings on pension plan investments	112,289	0
Changes in assumptions	56,695	0
Contributions subsequent to the measurement date of June 30, 2020	<u>268,721</u>	<u>not applicable</u>
	<u>\$ 437,705</u>	<u>\$ 484,235</u>

The amount shown above from “contributions subsequent to the measurement date of June 30, 2020,” 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, 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>	
2022	\$ (159,601)
2023	(105,180)
2024	(60,302)
2025	9,833
2026	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, 2021

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, 2021 to the Teacher Legacy Plan were \$507,433 which is 10.27% 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, 2021

Pension Liability(Asset)

At June 30, 2021 the Board of Education reported an asset of \$1,209,602 for its proportionate share of net pension liability(asset). The net pension asset was measured as of June 30, 2020, 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, 2020 the Board of Education's proportion was 0.158621%. The proportion measured as of June 30, 2019 was 0.159791%.

Pension Expense

For the year ended June 30, 2021, the Board of Education recognized negative pension expense of \$17,580.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, 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	\$ 45,984	\$ 581,555
Changes in assumptions	109,887	0
Net difference between projected and actual earnings on pension plan investments	270,152	0
Changes in proportion of Net Pension Liability(Asset)	9,180	2,511
Contributions subsequent to the measurement date of June 30, 2020	<u>507,433</u>	<u>not applicable</u>
	<u>\$ 942,636</u>	<u>\$ 584,066</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

The Board of Education employer contributions of \$507,433, 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, 2022. 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>	
2022	\$ (296,903)
2023	(40,469)
2024	9,552
2025	178,956
2026	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, 2020 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, 2020 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, 2021

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, 2021

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)	\$ 3,761,835	\$ (1,209,602)	\$ (5,332,090)

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, 2021

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, 2021

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, 2021 to the Teacher Retirement Plan were \$26,096, which is 2.02% 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, 2021, the Board of Education reported an asset of \$42,741 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, 2020, the Board of Education's proportion was .075163%. The proportion measured as of June 30, 2019 was .072214%.

Pension Expense

For the year ended June 30, 2021, the Board of Education recognized pension expense (negative pension expense) of \$17,048.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, 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	\$ 1,588	\$ 10,711
Net difference between projected and actual earnings on pension plan investments	3,482	0
Changes in assumptions	1,340	0
Changes in proportion of Net Pension Liability(asset)	1,154	3,442
Contributions subsequent to the measurement date of June 30, 2020	<u>26,096</u>	<u>not applicable</u>
	<u>\$ 33,660</u>	<u>\$ 14,153</u>

The Board of Education's employer contributions of \$50,250, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending
June 30:

2022	\$ (584)
2023	(81)
2024	176
2025	249
2026	(931)
Thereafter	(5,417)

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, 2021

Actuarial Assumptions

The total pension liability in the June 30, 2020 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, 2020 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, 2021

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability(asset)	\$ 33,245	\$ (42,741)	\$ (98,752)

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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 \$64,602 for the year ended June 30, 2021.

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 current 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, 2020. 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, 2021.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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, 2021, was as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to but not yet receiving benefits	5
Active plan member	<u>26</u>
	<u>40</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, 2020, the Utility's required contribution of \$302,655 (17.64% 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, 2021

Annual Required Contribution Trend Information

Fiscal Year	Required Contribution				% Contributed
	Water and Sewer	Electric	Gas	Totals	
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%
2021	60,392	207,845	34,418	302,655	129.91%

Net Pension Liability

The Utility's net pension liability was measured as of January 1, 2021, 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, 2021 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-2020 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, 2020 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, 2021

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)
1/1/21	\$ 7,231	\$ 8,682	\$ 1,451	83.29%	\$ 1,718	84.45%
1/1/20	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, 2021

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, 2020:			
Increase(decrease):			
Service cost	\$ 85,188	\$ 0	\$ 85,188
Interest	464,408	0	464,408
Difference between expected and actual experience	43,846	0	43,846
Changes in assumptions	(36,799)	0	(36,799)
Contributions-employer	0	393,168	(393,168)
Contributions-employees	0	92,767	(92,767)
Net investment income	0	876,496	(876,496)
Benefit payments, including refunds of employee contributions	(233,578)	(233,578)	0
Adjustment for change in employee contributions	0	(5,941)	5,941
Administrative expenses	0	(39,027)	39,027
Net changes for the year ended December 31, 2020	323,065	1,083,885	(760,820)
Balances at December 31, 2019	8,358,600	6,750,747	1,607,853
Balances at December 31, 2020	<u>\$ 8,681,665</u>	<u>\$ 7,834,632</u>	<u>\$ 847,033</u>

<u>Department</u>	Net Pension Liability 12/31/2019	Net Changes	Net Pension Liability 12/31/2020
Electric	\$ 1,093,822	\$ (512,131)	\$ 581,691
Gas	198,731	(102,389)	96,342
Water and sewer	315,300	(146,300)	169,000
	<u>\$ 1,607,853</u>	<u>\$ (760,820)</u>	<u>\$ 847,033</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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	\$ 2,329,999	\$ 847,033	\$ 336,352

Pension Expense

For the plan year ended December 31, 2020, the Plan recognized pension income as follows (including adjustments for change in allocation percentages between departments):

<u>Department</u>	<u>Pension Expense</u>
Electric	\$ 152,771
Gas	25,302
Water and sewer	44,385
	<u>\$ 222,458</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, 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	\$ 685,869	\$ 94,765
Changes in assumptions	1,944,990	134,327
Net difference between projected and actual earnings on plan investments	<u>0</u>	<u>467,479</u>
Totals	<u>\$ 2,630,859</u>	<u>\$ 696,571</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

At June 30, 2021, 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>\$ 196,896</u>
<u>Department</u>	
Electric	\$ 136,050
Gas	24,732
Water and Sewer	<u>36,114</u>
	<u>\$ 196,896</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	\$ 152,241
2022	115,634
2023	212,910
2024	85,302
2025	(15,776)
Thereafter	1,580,873

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, 2021

The deferred outflows of resources and deferred inflows of resources for the Utility are as follows as of June 30, 2021:

<u>Department</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 1,941,932	\$ 478,363
Gas	321,629	79,228
Water and sewer	<u>564,194</u>	<u>138,980</u>
	<u>\$ 2,827,755</u>	<u>\$ 696,571</u>

Payable to the Pension Plan

At June 30, 2021 the Utility did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2021 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, 2021

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, 2021, the payroll for employees covered under the 401(a) Plan was \$954,191 and the Utility contributed \$47,710 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 \$19,500) 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, 2021

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%; between 20 and 29 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, 2020, the following employees of the City were covered by the benefit terms of the TGOP.

Inactive employees currently receiving benefit payments	15
Active employees	<u>128</u>
	<u>143</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 \$105,395 to the TGOP for OPEB benefits as they came due.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Actuarial Assumptions

The collective total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.5%. 7.56% for post-65 in 2020, 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, 2020 valuations were the same as those employed in the July 1, 2019 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 2.21%. 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, 2021

Changes in Collective Total OPEB Liability

	Total OPEB Liability <u>(a)</u>
Changes for the year:	
Service cost	\$ 77,528
Interest	69,199
Differences between expected and actual experience	68,577
Change in assumptions	213,881
Benefit payments	<u>(109,061)</u>
Net changes	320,124
Total OPEB liability – beginning balance	<u>1,948,025</u>
Total OPEB liability – ending balance	<u>\$ 2,268,149</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 775,791
Employer’s proportionate share of the collective total OPEB liability	\$ 1,492,358
Employer’s proportion of the collective total OPEB liability	65.80%

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 2.05% from the prior measurement date. The City recognized \$45,170 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for City retirees.

The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption decreased the total OPEB liability.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.21%	2.21%	3.21%
Proportionate share of collective total OPEB liability	\$ 1,582,964	\$ 1,492,358	\$ 1,403,299

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>	<u>Current</u>	<u>1% Increase</u>
	(8.02%/6.56% decreasing to 3.50%)	Discount Rate (9.02%/7.56% decreasing to 4.50%)	(10.02%/8.56% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 1,348,657	\$ 1,492,358	\$ 1,658,689

OPEB Expense

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$154,842.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2021, 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	\$ 165,800	\$ 153,821
Changes in assumptions	147,575	115,944
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	65,263	13,136
Employer payments subsequent to the measurement date of June 30, 2021	<u>105,395</u>	<u>0</u>
	<u>\$ 484,033</u>	<u>\$ 282,901</u>

The amount shown above for “Employer payments subsequent to the measurement date of June 30, 2021” 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>	
2022	\$ 13,131
2023	13,131
2024	13,131
2025	13,131
2026	13,131
Thereafter	30,082

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, 2021

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; between 20 and 29 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, 2021

Employees Covered by Benefit Terms

At July 1, 2020, the following employees of the City were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	20
Inactive employees entitled to but not yet receiving benefit payments	14
Active employees	<u>99</u>
	<u>133</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, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
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, 2021

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 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 2.21%. 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, 2021

Changes in Collective Total OPEB Liability

	Total OPEB Liability <u>(a)</u>
Changes for the year:	
Service cost	\$ 7,773,000
Interest	11,146,000
Differences between expected and actual experience	15,577,000
Change in assumptions	79,087,000
Benefit payments	<u>(8,367,000)</u>
Net changes	105,216,000
Total OPEB liability – beginning balance	<u>313,932,000</u>
Total OPEB liability – ending balance	<u>\$ 419,148,000</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 418,148,000
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 City recognized \$26,139 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the City retired employees.

The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption decreased the total OPEB liability.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Active plan members	<u>50</u>
	<u>52</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, 2021, the Utilities average contribution rate was 9% 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, 2021

Net OPEB Liability

The Utility's net OPEB Plan liability was measured as of July 1, 2021 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3%
Investment rate of return	5.5%
Healthcare cost trend rates	5% for medical costs 3% for dental costs

Mortality rates were based on the Tennessee Consolidated Retirement System July 1, 2015 OPEB Actuarial Report dated May 13, 2016.

The assumed rate on High Quality 20-year Tax-Exempt G.O. Bonds was changed from 5.50% to 2.16% for the current year. The underlying index used is the Bond Buyer 20-Bond GO Index. The choice of index is unchanged from prior year. The rate has been updated to the current Fiscal Year end based on changes in market conditions as reflected in the Index.

The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return for each of the major asset classes in the plan's investment policy. Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid.

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, 2021

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, 2021:			
Increase(decrease):			
Service cost	\$ 3,410	\$ 0	\$ 3,410
Interest	8,942	0	8,942
Difference between expected and actual experience	(28,932)	0	(28,932)
Changes of assumption	(3,794)	0	(3,794)
Change of benefit terms	(6,474)	0	(6,474)
Contributions - employer	0	20,102	(20,102)
Net investment income	0	66,239	(66,239)
Expected benefit payments	(20,102)	(20,102)	0
Prior period adjustment	0	6,729	(6,729)
Net changes for the year ended June 30, 2021	(46,950)	72,968	(119,918)
Balances at June 30, 2020	172,636	328,839	(156,203)
Balances at June 30, 2021	<u>\$ 125,686</u>	<u>\$ 401,807</u>	<u>\$ (276,121)</u>

<u>Department</u>	Net Pension Liability 6/30/2020	Net Changes	Net Pension Liability 6/30/2021
Electric	\$ (104,578)	\$ (80,451)	\$ (185,029)
Gas	(14,699)	(9,185)	(23,884)
Water and sewer	(36,926)	(30,282)	(67,208)
	<u>\$ (156,203)</u>	<u>\$ (119,918)</u>	<u>\$ (276,121)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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 2.21%, 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 (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Net OPEB Plan liability (asset)	\$ (263,333)	\$ (276,121)	\$ (287,481)

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

	1% Decrease Varies	Current Discount Rate Varies	1% Increase Varies
Net OPEB liability (asset)	\$ (291,378)	\$ (276,121)	\$ (257,246)

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

For the year ended June 30, 2021 the Utility recognized OPEB Plan expense of \$57,657.

<u>Department</u>	
Electric	\$ 38,629
Gas	5,079
Water and sewer	<u>13,949</u>
	<u>\$ 57,657</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

At June 30, 2021, 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	\$ 34,055
Changes in assumptions	157,845
Net difference between projected and actual earnings on plan investments	<u>338,728</u>
Total	<u>\$ 530,628</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, 2021:

<u>Department</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 154,544
Gas	19,949
Water and sewer	<u>56,135</u>
	<u>\$ 230,628</u>

Payable to the OPEB Plan

At June 30, 2021 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, 2021 since all contributions were paid prior to year-end.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

NOTE I - LONG-TERM DEBT

Long-term debt at June 30, 2021 consisted of the following:

Governmental Activities:

Tennessee Municipal Bond, Series 2001, payable in annual installments through May 2030, variable interest at 0.57% at June 30, 2021	\$ 2,572,000
Tennessee Local Development Authority revolving loan, payable in monthly installments of \$9,256 through January 2029, interest at 2.00%	792,085
Tennessee Municipal Bond Fund, Series 2016, payable in annual installment of varying amounts with interest at 2.86% payable in semi-annual installments through 2031.	850,900
Tennessee Municipal Bond Fund, Series 2020 payable in payable in annual installment of varying amounts with interest at 2.16% payable in semi-annual installments through 2028.	500,000
Tennessee Municipal Bond, Series 2017, payable in annual installments through 2042, variable interest at 1.05% at June 30, 2021	<u>2,266,000</u>
	6,980,985
Less current maturities	<u>(577,868)</u>
	<u>\$ 6,403,117</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, 2021

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%	\$ 1,486,000
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.	210,329
3.80% loan agreement with the Tennessee Municipal Bond Fund payable in quarterly interest payments and annual principal payments through April 2030.	3,046,000
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%	931,143
Water and Sewer Revenue and Tax Bond Anticipation Notes, Series 2017, 2.625% interest rate	1,366,562
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.	1,408,179
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>421,763</u>
	8,869,976
Less current maturities	<u>(1,040,086)</u>
	<u>\$ 7,829,890</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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, 2021) 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, 2021 interest and fees paid totaled \$4,327 and \$13,381, 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, 2021) 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 \$15,852.

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, 2021

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, 2021, the Utility's debt service coverage ratio was 2.00. 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, 2021.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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, 2021.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Maturities of long-term debt as of June 30, 2021 are as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 577,868	\$ 86,920	\$ 664,788
2023	593,512	79,000	672,512
2024	608,192	70,879	679,071
2025	624,008	62,574	686,582
2026	640,872	54,041	694,913
2027	658,672	45,306	703,978
2028	675,720	36,341	712,061
2029	580,941	28,451	609,392
2030	519,000	22,061	541,061
2031	198,300	16,435	214,735
2032	107,000	12,569	119,569
2033	109,000	11,424	120,424
2034	111,000	10,259	121,259
2035	114,000	9,062	123,062
2036	116,000	7,844	123,844
2037	118,000	6,605	124,605
2038	121,000	5,334	126,334
2039	123,000	4,043	127,043
2040	126,000	2,720	128,720
2041	128,000	1,376	129,376
2042	<u>130,000</u>	<u>688</u>	<u>130,688</u>
	<u>\$ 6,980,985</u>	<u>\$ 573,927</u>	<u>\$ 7,554,912</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Business-Type Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	68,838	23,470	92,308
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, 2021

Business-Type Activities:

<u>Year Ending</u> <u>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>\$ 8,869,976</u>	<u>\$ 1,413,851</u>	<u>\$ 10,283,824</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Changes in long-term debt for the year ended June 30, 2021 were as follows:

	<u>Balance</u> <u>7/1/20</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/21</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental</u>					
<u>Activities:</u>					
Tennessee Municipal Bond, Series 2001	\$ 2,816,000	\$ 0	\$ (244,000)	\$ 2,572,000	\$ 252,000
Tennessee Municipal Bond, Series 2016	923,900	0	(73,000)	850,900	74,700
Tennessee Municipal Bond, Series 2017	2,352,000	0	(86,000)	2,266,000	88,000
Tennessee Municipal Bond, Series 2020	0	500,000	0	500,000	67,000
Tennessee Local Development Authority	883,001	0	(90,916)	792,085	96,168
Ford Motor Credit	<u>52,600</u>	<u>0</u>	<u>(52,600)</u>	<u>0</u>	<u>0</u>
	<u>\$ 7,027,501</u>	<u>\$ 500,000</u>	<u>\$ (546,516)</u>	<u>\$ 6,980,985</u>	<u>\$ 577,868</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

	<u>Balance</u> <u>7/1/20</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/21</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type</u>					
<u>Activities:</u>					
Revolving loan agreements	\$ 2,227,624	\$ 0	\$ (187,353)	\$ 2,040,271	\$ 190,596
Water and Sewer Revenue tax bonds	1,387,842	0	(21,280)	1,366,562	21,845
Interdepartment loan Gas Department	972,351	0	(41,208)	931,143	46,645
Tennessee Municipal Bonds					
Adjustable rate loan	3,370,000	0	(324,000)	3,046,000	336,000
	<u>1,914,000</u>	<u>0</u>	<u>(428,000)</u>	<u>1,486,000</u>	<u>445,000</u>
	<u>\$ 9,871,817</u>	<u>\$ 0</u>	<u>\$ (1,001,841)</u>	<u>\$ 8,869,976</u>	<u>\$ 1,040,086</u>

NOTE J - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2021, resulting from short-term advances for shared costs, were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General purpose school fund	Cafeteria fund	\$ 36,949

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, 2021 was \$931,143 (\$46,645 current and \$884,498 long-term).

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

NOTE K - INTERFUND TRANSFERS

Transfers during the year ended June 30, 2021 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	General purpose school fund	\$ 590,000
General fund	Library fund	130,000
Tourism fund	General fund	40,000
Electric fund	General fund	535,000
Natural gas fund	General fund	80,000

Transfers were for operating funds and payments in-lieu of taxes.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

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 - PREPAID EXPENSES

Prepaid expenses at June 30, 2021 for the electric fund included the following:

Prepaid power	\$ 83,410
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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 (0.1% at June 30, 2021).

NOTE N - 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 O - RESTRICTED NET POSITION

At June 30, 2021 restricted net position consisted of the following:

Special projects	\$ 78,523
Street improvements	389,709
Pension	2,758,689
Other postemployment benefits	276,121
Drug enforcement	72,892
School capital projects	74,567
Economic development	152,160
Tourism	53,667
Internal school fund	111,862
School federal projects	1,239
School general purpose	8,082,549
School cafeteria	<u>223,051</u>
	<u>\$ 12,275,029</u>

NOTE P - SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 21, 2022 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.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

NOTE Q – RESTATEMENT

Due to implementation of GASB Statement 84, *Fiduciary Activities*, a special revenue fund (Internal School Fund) is reflected in the financial statements. Fund balance and net position at June 30, 2020 have been restated to include fiduciary activities related to the internal school funds:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance/net position at June 30, 2020, as originally stated	\$ 9,823,717	\$ 28,782,255
Internal School Funds	<u>126,763</u>	<u>126,763</u>
Fund balance/net position at June 30, 2020, as restated	<u>\$ 9,950,480</u>	<u>\$ 28,909,019</u>

For the year ended June 30, 2020, the internal school funds had net income of \$20,691 which would have increase net income of City of Sweetwater, Tennessee for the year ended June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET) AND RELATED RATIOS

June 30, 2021

<u>Public Employee Retirement Plan</u>	Measurement Date at June 30, 2020
<u>Total pension liability</u>	
Service cost	\$ 355,711
Interest	985,914
Differences between actual and expected experience	(290,659)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(554,043)
Net change in total pension liability	496,923
Total pension liability - beginning	13,520,120
Total pension liability - ending (a)	14,017,043
 <u>Plan fiduciary net position</u>	
Contributions - employer	269,026
Contributions - employee	189,455
Net investment income	736,083
Benefit payments, including refunds of employee contributions	(554,043)
Other	0
Administrative expense	(10,045)
Net change in plan fiduciary net position	630,476
Plan fiduciary net position - beginning	14,892,913
Plan fiduciary net position - ending (b)	15,523,389
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ (1,506,346)</u>
 Plan fiduciary net position as a percentage of total net pension liability	 110.75%
 Covered employee payroll	 \$ 3,789,096
 Net pension liability(asset) as a percentage of covered employee payroll	 -39.75%

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,					
2019	2018	2017	2016	2015	2014
\$ 336,148	\$ 346,953	\$ 316,083	\$ 299,541	\$ 287,486	\$ 296,695
952,960	905,739	868,904	813,938	774,676	770,383
(323,444)	(88,962)	(110,280)	45,982	(94,420)	(530,018)
0	0	283,479	0	0	0
(507,345)	(495,849)	(467,127)	(419,121)	(493,492)	(447,729)
458,319	667,881	891,059	740,340	474,250	89,331
13,061,801	12,393,920	11,502,861	10,762,521	10,288,271	10,198,940
13,520,120	13,061,801	12,393,920	11,502,861	10,762,521	10,288,271
260,663	267,355	260,806	247,646	228,652	229,464
183,565	180,917	184,038	174,676	161,811	159,450
1,034,612	1,070,026	1,316,795	300,458	340,147	1,585,280
(507,345)	(495,849)	(467,127)	(419,121)	(493,492)	(447,729)
0	0	0	9,815	0	0
(10,147)	(11,280)	(10,244)	(8,847)	(5,479)	(4,503)
961,348	1,011,169	1,284,268	304,627	231,639	1,521,962
13,931,565	12,920,396	11,636,128	11,331,501	11,099,862	9,577,900
14,892,913	13,931,565	12,920,396	11,636,128	11,331,501	11,099,862
<u>\$ (1,372,793)</u>	<u>\$ (869,764)</u>	<u>\$ (526,476)</u>	<u>\$ (133,267)</u>	<u>\$ (568,980)</u>	<u>\$ (811,591)</u>
110.15%	106.66%	104.25%	101.16%	105.29%	107.89%
\$ 3,671,305	\$ 3,765,565	\$ 3,673,327	\$ 3,487,971	\$ 3,220,453	\$ 3,173,767
-37.39%	-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, 2021

<i>The Utility Public Employee Retirement Plan</i>	Measurement Date at June 30, 2020
<u>Total pension liability</u>	
Service cost	\$ 85,188
Interest	464,408
Differences between actual and expected experience	43,846
Change of assumptions	(36,799)
Benefit payments, including refunds of employee contributions	(233,578)
Net change in total pension liability	323,065
Total pension liability - beginning	8,358,600
Total pension liability - ending (a)	8,681,665
 <u>Plan fiduciary net position</u>	
Contributions - employer	393,168
Contributions - employee	92,767
Net investment income	876,496
Benefit payments, including refunds of employee contributions	(233,578)
Adjustment for change in employee voluntary contributions	(5,941)
Administrative expense	(39,027)
Net change in plan fiduciary net position	1,083,885
Plan fiduciary net position - beginning	6,750,747
Plan fiduciary net position - ending (b)	7,834,632
 Net pension liability(asset) - ending (a) - (b)	 \$ 847,033
 Plan fiduciary net position as a percentage of total net pension liability	 90.24%
 Covered employee payroll	 \$ 1,718,347
 Net pension liability(asset) as a percentage of covered employee payroll	 49.29%

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,					
2019	2018	2017	2016	2015	2014
\$ 88,944	\$ 85,545	\$ 128,423	\$ 138,489	\$ 139,439	\$ 78,729
442,329	416,673	435,459	414,800	370,178	421,798
107,417	298,170	(94,592)	130,073	214,376	(27,444)
(23,727)	(21,327)	(26,692)	(44,461)	370,994	1,771,993
(209,770)	(315,975)	(741,306)	(253,204)	(603,236)	(878,736)
405,193	463,086	(298,708)	385,697	491,751	1,366,340
7,953,407	7,490,321	7,789,029	7,403,332	6,911,581	5,545,241
<u>8,358,600</u>	<u>7,953,407</u>	<u>7,490,321</u>	<u>7,789,029</u>	<u>7,403,332</u>	<u>6,911,581</u>
630,164	782,078	511,997	1,071,730	1,379,585	390,344
91,800	104,257	97,059	98,460	78,137	56,224
922,849	(267,766)	540,938	132,746	(45,586)	134,539
(209,770)	(315,975)	(741,306)	(253,204)	(603,236)	(878,736)
(5,643)	23,269	(9,077)	(3,930)	0	0
(35,295)	(32,378)	(27,903)	(21,365)	(20,501)	(20,498)
1,394,105	293,485	371,708	1,024,437	788,399	(318,127)
5,356,642	5,063,157	4,691,449	3,667,012	2,878,613	3,196,740
<u>6,750,747</u>	<u>5,356,642</u>	<u>5,063,157</u>	<u>4,691,449</u>	<u>3,667,012</u>	<u>2,878,613</u>
<u>\$ 1,607,853</u>	<u>\$ 2,596,765</u>	<u>\$ 2,427,164</u>	<u>\$ 3,097,580</u>	<u>\$ 3,736,320</u>	<u>\$ 4,032,968</u>
80.76%	67.35%	32.40%	39.77%	50.47%	58.35%
\$ 1,715,962	\$ 1,729,267	\$ 1,669,868	\$ 1,970,574	\$ 1,967,078	\$ 1,995,740
93.70%	150.17%	145.35%	157.19%	189.94%	202.08%

CITY OF SWEETWATER, TENNESSEE

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

June 30, 2021

Teacher Legacy Pension Plan

	Measurement date at June 30,			
	2020	2019	2018	2017
Proportion of the net pension liability (asset)	\$ (1,209,602)	\$ (1,642,943)	\$ (543,773)	\$ (49,798)
Proportionate share of the net pension liability (asset)	0.158621%	0.159791%	0.154529%	0.152207%
Covered employee payroll	\$ 5,279,320	\$ 5,358,028	\$ 5,411,099	\$ 5,380,434
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(22.91)%	(30.66)%	(10.05)%	(.93)%
Plan fiduciary net position as a percentage of the total pension liability	103.09%	104.28%	101.49%	100.14%

See the accompanying independent accountants' audit report.

Measurement date at June 30,		
2016	2015	2014
\$ 941,846	\$ 61,343	\$ (23,265)
0.150709%	0.014975%	0.014317%
\$ 5,440,279	\$ 5,605,879	\$ 5,619,511
17.31%	1.09%	(.14)%
97.14%	99.81%	100.08%

CITY OF SWEETWATER, TENNESSEE

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

(continued)

June 30, 2021

Teacher Retirement Plan

	Measurement date at June 30,			
	2020	2019	2018	2017
Proportion of the net pension liability (asset)	\$ (42,741)	\$ (40,764)	\$ (34,105)	\$ (19,422)
Proportionate share of the net pension liability (asset)	0.075163%	0.072214%	0.075200%	0.073608%
Covered employee payroll	\$ 948,481	\$ 764,181	\$ 657,161	\$ 483,122
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(4.51)%	(5.33)%	(5.19)%	(4.02)%
Plan fiduciary net position as a percentage of the total pension liability	116.52%	123.07%	126.97%	126.81%

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,		
2016	2015	2014
\$ (5,479)	\$ (2,112)	\$ 0
0.052629%	0.052487%	0.00%
\$ 231,568	\$ 109,054	\$ 0
(2.37)%	(1.94)%	0.00%
121.88%	127.46%	0.00%

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET OPEB LIABILITY(ASSET) AND RELATED RATIOS

June 30, 2021

<u>Utility Employee OPEB Plan</u>	Measurement Date at June 30, 2021
<u>Total OPEB liability</u>	
Service cost	\$ 3,410
Interest	8,942
Differences between actual and expected experience	(28,932)
Changes in assumptions	(3,794)
Change of benefit terms	(6,474)
Expected benefit payments	(21,102)
Net change in total OPEB liability	(47,950)
Total OPEB liability - beginning	172,636
Total OPEB liability - ending (a)	124,686
 <u>Plan fiduciary net position</u>	
Contributions - employer	20,102
Net investment income	66,239
Expected benefit payments	(21,102)
Prior period adjustment	6,729
Net change in plan fiduciary net position	71,968
Plan fiduciary net position - beginning	328,839
Plan fiduciary net position - ending (b)	400,807
 Net pension liability(asset) - ending (a) - (b)	<u>\$ (276,121)</u>
 Plan fiduciary net position as a percentage of total net pension liability	 321.45%
 Covered employee payroll	 \$ 3,079,593
 Net pension liability(asset) as a percentage of covered employee payroll	 -8.97%

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,			
2020	2019	2018	2017	
\$ 3,370	\$ 3,552	\$ 11,723	\$ 12,009	
9,000	8,355	17,910	16,926	
0	(7,404)	(11,855)	(10,773)	
0	(175,266)	0	0	
0	0	0	0	
0	0	0	0	
<u>12,370</u>	<u>(170,763)</u>	<u>17,778</u>	<u>18,162</u>	
<u>160,266</u>	<u>331,029</u>	<u>313,251</u>	<u>295,089</u>	
<u>172,636</u>	<u>160,266</u>	<u>331,029</u>	<u>313,251</u>	
0	0	0	36,000	
0	17,669	16,188	24,247	
0	0	0	0	
0	0	0	0	
<u>0</u>	<u>17,669</u>	<u>16,188</u>	<u>60,247</u>	
<u>328,839</u>	<u>311,170</u>	<u>294,982</u>	<u>234,735</u>	
<u>328,839</u>	<u>328,839</u>	<u>311,170</u>	<u>294,982</u>	
<u>\$ (156,203)</u>	<u>\$ (168,573)</u>	<u>\$ 19,859</u>	<u>\$ 18,269</u>	
190.48%	205.18%	60.82%	52.78%	
\$ 2,846,863	\$ 2,791,042	\$ 2,683,606	\$ 2,593,392	
-5.49%	-6.04%	0.74%	0.70%	

CITY OF SWEETWATER, TENNESSEE

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

June 30, 2021

<u>Teacher Group OPEB Plan</u>	Measurement Date at June 30, 2021
<u>Total OPEB liability</u>	
Service cost	\$ 77,528
Interest	69,199
Differences between actual and expected experience	68,577
Changes in assumptions	213,881
Benefit payments	(109,061)
Net change in total OPEB liability	320,124
Total OPEB liability - beginning	1,948,025
Total OPEB liability - ending	<u>\$ 2,268,149</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 775,791
Employer's proportionate share of the collective total OPEB liability	\$ 1,492,358
Covered employee payroll	\$ 5,005,688
Employer's proportionate share of the collective total OPEB liability as a percentage of covered employee payroll	29.81%

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	2019
\$ 83,973	\$ 94,945
66,684	73,806
254,623	(341,681)
(159,370)	56,023
(111,062)	(96,374)
<u>134,848</u>	<u>(213,281)</u>
1,813,177	2,026,458
<u>\$ 1,948,025</u>	<u>\$1,813,177</u>

\$ 706,177 \$ 644,568

\$ 1,241,848 \$1,168,609

\$ 5,626,745 \$5,841,765

22.07%

20.00%

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2021

<u>Closed Tennessee Plan</u>	Measurement Date at June 30, 2020
<u>Total OPEB liability</u>	
Service cost	\$ 7,773,000
Interest	11,146,000
Differences between actual and expected experience	15,577,000
Changes in assumptions	79,087,000
Benefit payments	<u>(8,367,000)</u>
Net change in total OPEB liability	105,216,000
Total OPEB liability - beginning	313,932,000
Total OPEB liability - ending	<u><u>\$ 419,148,000</u></u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 419,148,000
 Employer's proportionate share of the collective total OPEB liability	 \$ -
 Covered employee payroll	 \$ 1,437,361
 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,	
<u>2019</u>	<u>2018</u>
\$ 6,710,000	\$ 7,554,000
9,782,000	10,874,000
31,556,000	(41,345,000)
6,881,000	(2,335,000)
<u>(8,946,000)</u>	<u>(9,379,000)</u>
45,983,000	(34,631,000)
267,949,000	302,580,000
<u>\$ 313,932,000</u>	<u>\$ 267,949,000</u>
\$ 313,932,000	\$ 267,949,000
\$ -	\$ -
\$ 671,363	\$ 529,175
0.00%	0.00%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2021

<u>Public Employee Retirement Plan</u>	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 140,370	\$ 235,682	\$ 241,940
Contributions in relation to the actuarially determined contributions	<u>(268,721)</u>	<u>(269,026)</u>	<u>(260,663)</u>
Contributions deficiency(excess)	<u>\$ (128,351)</u>	<u>\$ (33,344)</u>	<u>\$ (18,723)</u>
Covered employee payroll	\$ 3,824,794	\$ 3,789,096	\$ 3,671,305
Contributions as a percentage of covered employee payroll	3.67%	7.10%	7.10%
<u>Teacher Legacy Pension Plan</u>	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 507,433	\$ 561,191	\$ 560,450
Contributions in relation to the contractually required contributions	<u>(507,433)</u>	<u>(561,191)</u>	<u>(560,450)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 4,940,933	\$ 5,279,320	\$ 5,358,028
Contributions as a percentage of covered employee payroll	10.27%	10.63%	10.46%

See the accompanying independent accountants' audit report.

Year Ended June 30,				
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 267,355	\$ 260,806	\$ 247,646	\$ 228,544	\$ 229,464
<u>(267,355)</u>	<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>	<u>\$ 0</u>
\$ 3,781,918	\$ 3,673,327	\$ 3,487,971	\$ 3,220,453	\$ 3,173,767
7.10%	7.10%	7.10%	7.10%	7.23%

Year Ended June 30,				
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 491,327	\$ 485,399	\$ 491,801	\$ 506,773	\$ 499,013
<u>(491,327)</u>	<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>	<u>\$ 0</u>
\$ 5,411,099	\$ 5,367,444	\$ 5,440,729	\$ 5,605,879	\$ 5,619,517
9.08%	9.04%	9.04%	9.04%	8.88%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

(continued)

June 30, 2021

<u>Teacher Retirement Plan</u>	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 26,096	\$ 19,254	\$ 14,825
Contributions in relation to the actuarially determined contributions	<u>(26,096)</u>	<u>(19,254)</u>	<u>(14,825)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 1,291,887	\$ 948,481	\$ 764,181
Contributions as a percentage of covered employee payroll	2.02%	2.03%	1.94%
<u>Utility Public Employee Retirement Plan</u>	Year Ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 302,655	\$ 343,259	\$ 357,081
Contributions in relation to the contractually required contributions	<u>(393,168)</u>	<u>(630,164)</u>	<u>(782,078)</u>
Contributions deficiency(excess)	<u>\$ (90,513)</u>	<u>\$ (286,905)</u>	<u>\$ (424,997)</u>
Covered employee payroll	\$ 1,718,347	\$ 1,715,962	\$ 1,729,267
Contributions as a percentage of covered employee payroll	22.88%	36.72%	45.23%

The City of Sweetwater, Tennessee is required to contribute 4% of salaries for employees enrolled in the Teacher Retirement Plan. Contributions are allocated between the pension plan (2.02%) and the stabilization reserve trust (1.98%).

<u>2018</u>	<u>Year Ended June 30,</u>		<u>2015</u>
	<u>2017</u>	<u>2016</u>	
\$ 10,717	\$ 19,767	\$ 5,797	\$ 2,726
<u>(26,286)</u>	<u>(19,767)</u>	<u>(9,263)</u>	<u>(4,362)</u>
<u>\$ (15,569)</u>	<u>\$ 0</u>	<u>\$ (3,466)</u>	<u>\$ (1,636)</u>
\$ 652,067	\$ 494,112	\$ 231,568	\$ 109,054
1.64%	4.00%	4.00%	4.00%

<u>2018</u>	<u>Year Ended June 30,</u>		<u>2015</u>
	<u>2017</u>	<u>2016</u>	
\$ 408,049	\$ 472,742	\$ 503,303	\$ 370,464
<u>(511,997)</u>	<u>(1,071,730)</u>	<u>(1,379,585)</u>	<u>(390,344)</u>
<u>\$ (103,948)</u>	<u>\$ (598,988)</u>	<u>\$ (876,282)</u>	<u>\$ (19,880)</u>
\$ 1,669,868	\$ 1,970,574	\$ 1,967,078	\$ 1,995,740
30.66%	54.39%	70.13%	19.56%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

(continued)

June 30, 2021

Utility Employee OPEB Plan

	Year Ended June 30,		
	2021	2020	2019
	<u> </u>	<u> </u>	<u> </u>
Actuarially determined contributions	\$ 7,996	\$ 10,921	\$ 10,730
Contributions in relation to the actuarially determined contributions	<u>(7,996)</u>	<u>(10,921)</u>	<u>(10,730)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 3,079,593	\$ 2,846,863	\$ 2,791,042
Contributions as a percentage of covered employee payroll	-8.97%	-0.42%	-0.38%

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.

Year Ended June 30,	
2018	2017
\$ 38,762	\$ 1,680
<u>(38,762)</u>	<u>(1,680)</u>
<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,683,606	\$ 2,593,392
1.44%	0.06%

CITY OF SWEETWATER, TENNESSEE

NOTES TO PENSION CONTRIBUTIONS

June 30, 2021

Public Employee Retirement Plan

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2021 were calculated based on the June 30, 2019 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, 2021

Utility Public Employee Retirement Plan

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2021 were calculated based on the January 1, 2021 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-2020 mortality improvements

Utility Employee OPEB Plan

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2021 were calculated based on the July 1, 2021 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-2020 Table

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Library Fund</u>
ASSETS			
Cash and temporary investments	\$ 0	\$ 152,160	\$ 55,518
Grants receivable	<u>47,160</u>	<u>0</u>	<u>0</u>
	<u>\$ 47,160</u>	<u>\$ 152,160</u>	<u>\$ 55,518</u>
LIABILITIES			
Accounts payable	\$ 47,160	\$ 0	\$ 6,806
FUND BALANCES			
Unassigned	0	0	0
Assigned	0	0	48,711
Restricted	<u>0</u>	<u>152,160</u>	<u>0</u>
	<u>0</u>	<u>152,160</u>	<u>48,711</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,160</u>	<u>\$ 152,160</u>	<u>\$ 55,518</u>

See the accompanying independent accountants' audit report.

<u>Internal Schools Fund</u>	<u>Tourism Fund</u>	<u>Totals</u>
\$ 111,862	\$ 53,667	\$ 373,207
<u>0</u>	<u>0</u>	<u>47,160</u>
<u>\$ 111,862</u>	<u>\$ 53,667</u>	<u>\$ 420,367</u>
\$ 0	\$ 0	\$ 53,966
0	0	0
0	0	48,711
<u>111,862</u>	<u>53,667</u>	<u>317,689</u>
<u>111,862</u>	<u>53,667</u>	<u>366,402</u>
<u>\$ 111,862</u>	<u>\$ 53,667</u>	<u>\$ 420,367</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Library Fund</u>
REVENUE			
Daily collections	\$ 0	\$ 0	\$ 4,007
Contributions	0	0	71,833
Occupancy tax	0	0	0
Grants	47,160	0	0
Internal School revenue	0	0	0
Interest	<u>0</u>	<u>128</u>	<u>0</u>
TOTAL REVENUE	47,160	128	75,840
EXPENDITURES			
Personnel	0	0	136,732
OASDI	0	0	10,460
Unemployment insurance	0	0	129
Buildings and grounds	0	0	1,350
Telephone	0	0	728
Utilities	0	0	10,622
Supplies	0	0	11,242
Office supplies	0	0	2,480
Programs	0	0	4,344
Books	0	0	22,710
Data processing services	0	0	1,238
Professional services	0	0	326
Equipment	0	0	3,152
Facilities	35,844	0	0
Subscription and dues	0	0	0
Internal School expense	0	0	0
Travel, training and development	<u>0</u>	<u>0</u>	<u>324</u>

See the accompanying independent accountants' audit report.

Internal School Fund	Tourism Fund	Totals
\$ 0	\$ 0	\$ 4,007
0	0	71,833
0	75,388	75,388
0	0	47,160
163,977	0	163,977
<u>0</u>	<u>0</u>	<u>128</u>
163,977	75,388	362,493
0	0	136,732
0	0	10,460
0	0	129
0	0	1,350
0	0	728
0	0	10,622
0	4,779	16,021
0	0	2,480
0	0	4,344
0	0	22,710
0	0	1,238
0	0	326
0	0	3,152
0	0	35,844
0	2,773	2,773
178,878	0	178,878
<u>0</u>	<u>2,963</u>	<u>3,287</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2021

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Library Fund</u>
TOTAL EXPENDITURES	<u>35,844</u>	<u>0</u>	<u>205,837</u>
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	11,316	128	(129,997)
OTHER FINANCING SOURCES(USES)			
Transfer to general fund	0	0	0
Transfer from general fund	<u>0</u>	<u>0</u>	<u>130,000</u>
	<u>0</u>	<u>0</u>	<u>130,000</u>
NET CHANGE IN FUND BALANCES	11,316	128	3
FUND BALANCE(DEFICIT) AT THE BEGINNING OF THE YEAR, as restated	<u>(11,316)</u>	<u>152,032</u>	<u>48,709</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 152,160</u>	<u>\$ 48,711</u>

<u>Internal School Fund</u>	<u>Tourism Fund</u>	<u>Totals</u>
<u>178,878</u>	<u>10,515</u>	<u>431,074</u>
(14,901)	64,873	(68,581)
0	(40,000)	(40,000)
<u>0</u>	<u>0</u>	<u>130,000</u>
<u>0</u>	<u>(40,000)</u>	<u>90,000</u>
(14,901)	24,873	21,419
<u>126,763</u>	<u>28,794</u>	<u>344,982</u>
<u>\$ 111,862</u>	<u>\$ 53,667</u>	<u>\$ 366,402</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Home Grant	\$ 200,000	\$ 200,000	\$ 47,160	\$ (152,840)
EXPENDITURES				
Home rehabilitation	<u>400,000</u>	<u>400,000</u>	<u>35,844</u>	<u>(364,156)</u>
NET CHANGE IN FUND BALANCE	(200,000)	(200,000)	11,316	211,316
FUND BALANCE(DEFICIT) AT THE BEGINNING OF THE YEAR	<u>200,000</u>	<u>200,000</u>	<u>(11,316)</u>	<u>(211,316)</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
ECONOMIC DEVELOPMENT FUND**

Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Other income	\$ 0	\$ 0	\$ 128	\$ (128)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>152,032</u>	<u>152,032</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 152,160</u>	<u>\$ 152,160</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, 2021

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
REVENUE				
Daily collections	\$ 10,100	\$ 10,100	\$ 4,007	\$ (6,093)
Contributions	65,537	65,537	71,833	6,296
Interest	<u>40</u>	<u>40</u>	<u>0</u>	<u>(40)</u>
TOTAL REVENUE	75,677	75,677	75,840	163
EXPENDITURES				
Personnel	128,600	128,600	136,732	8,132
OASDI	10,727	10,727	10,460	(267)
Unemployment insurance	1,000	1,000	129	(871)
Buildings and grounds	7,450	7,450	1,350	(6,100)
Telephone	1,000	1,000	728	(272)
Utilities	13,000	13,000	10,622	(2,378)
Supplies	8,900	8,900	11,242	2,342
Office supplies	2,800	2,800	2,480	(320)
Programs	6,800	6,800	4,344	(2,456)
Books	17,300	17,300	22,710	5,410
Data processing services	1,500	1,500	1,238	(262)
Professional services	400	400	326	(74)
Equipment	4,500	4,500	3,152	(1,348)
Materials, support and Travel, training and development	<u>4,200</u>	<u>4,200</u>	<u>324</u>	<u>(3,876)</u>
TOTAL EXPENDITURES	<u>208,177</u>	<u>208,177</u>	<u>205,837</u>	<u>(2,340)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES				
	(132,500)	(132,500)	(129,997)	2,503

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, 2021

	<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>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	(2,500)	(2,500)	3	2,503
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>2,500</u>	<u>2,500</u>	<u>48,709</u>	<u>46,209</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,711</u>	<u>\$ 48,711</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUE				
Occupancy tax	\$ 25,000	\$ 66,000	\$ 75,388	\$ 9,388
EXPENDITURES				
Subscription and dues	3,000	3,000	2,773	(227)
Training and travel	1,000	3,500	2,963	(537)
Operating supplies	<u>1,000</u>	<u>5,000</u>	<u>4,779</u>	<u>(221)</u>
TOTAL EXPENDITURES	<u>5,000</u>	<u>11,500</u>	<u>10,515</u>	<u>(985)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	20,000	54,500	64,873	(10,373)
OTHER FINANCING SOURCES(USES)				
Transfer to general fund	<u>(30,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	(10,000)	14,500	24,873	(10,373)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>10,000</u>	<u>0</u>	<u>28,794</u>	<u>28,794</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 14,500</u>	<u>\$ 53,667</u>	<u>\$ 39,167</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

INVESTMENTS

June 30, 2021

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General fund:</u>			
Certificate of deposit	0.20 %	05/20/23	<u>\$ 100,000</u>
<u>Electric fund:</u>			
Certificate of deposit	0.50	10/25/21	\$ 100,000
Certificate of deposit	0.40	11/16/21	<u>445,000</u>
			<u>\$ 545,000</u>
<u>Natural gas fund:</u>			
Certificate of deposit	0.50	07/08/21	\$ 300,000
Certificate of deposit	0.50	07/30/21	300,000
Certificate of deposit	0.50	08/18/21	300,000
Certificate of deposit	0.50	08/25/21	550,000
Certificate of deposit	0.40	09/28/21	250,000
Certificate of deposit	0.40	12/15/21	<u>100,000</u>
			<u>\$ 1,800,000</u>
<u>Water and sewer fund:</u>			
Certificate of deposit	0.50	08/25/21	\$ 400,000
Certificate of deposit	0.50	10/25/21	150,000
Certificate of deposit	0.40	11/16/21	<u>55,000</u>
			<u>\$ 605,000</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2021

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2020</u>
2021	\$ 1.20	\$ 147,413,789	\$ 2,034,357	\$ 0
2020	1.20	146,624,793	2,024,755	2,024,755
2019	1.20	145,149,987	1,999,500	115,137
2018	1.20	142,825,716	1,967,415	58,103
2017	1.20	133,972,055	1,607,821	63,823
2016	1.20	133,812,053	1,605,159	84,498
2015	1.20	133,670,850	1,604,180	71,359
2014	1.20	134,015,090	1,598,712	50,596
2013	1.46	129,476,478	1,894,032	60,217
2012	1.14	132,053,858	1,505,425	46,932
2011	1.14	131,893,504	1,503,595	<u>47,946</u>
				<u>\$ 2,623,366</u>

Property taxes unpaid for 2011 through 2019 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, 2021</u>
\$ 2,034,357	\$ 0	\$ 0	\$ 2,034,357
0	6,329	1,915,947	115,137
0	(1,639)	68,355	45,143
0	6,956	28,026	37,033
0	0	10,997	52,826
0	0	9,976	74,522
0	0	8,551	62,808
0	0	842	49,754
0	0	268	59,949
0	0	209	46,723
<u>0</u>	<u>(47,946)</u>	<u>0</u>	<u>0</u>
<u>\$ 2,034,357</u>	<u>\$ (36,300)</u>	<u>\$ 2,043,171</u>	<u>\$ 2,578,252</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental</u>			
<u>Activities:</u>			
Tennessee Municipal Bond, Series 2001			
<u>Year Ending</u>			
<u>June 30:</u>			
2022	\$ 252,000	\$ 14,660	\$ 266,660
2023	260,000	13,224	273,224
2024	268,000	11,742	279,742
2025	276,000	10,214	286,214
2026	285,000	8,641	293,641
2027	294,000	7,017	301,017
2028	303,000	5,341	308,341
2029	312,000	3,614	315,614
2030	322,000	1,835	323,835
	<u>\$ 2,572,000</u>	<u>\$ 76,289</u>	<u>\$ 2,648,289</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond, Series 2016			
<u>Year Ending</u>			
<u>June 30:</u>			
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	93,300	2,743	96,043
	<u>\$ 850,900</u>	<u>\$ 139,861</u>	<u>\$ 990,761</u>

Tennessee Municipal Bond, Series 2020

<u>Year Ending</u>			
<u>June 30:</u>			
2022	\$ 67,000	\$ 10,076	\$ 77,076
2023	68,000	8,618	76,618
2024	70,000	7,128	77,128
2025	71,000	5,605	76,605
2026	73,000	4,050	77,050
2027	75,000	2,452	77,452
2028	76,000	821	76,821
	<u>\$ 500,000</u>	<u>\$ 38,750</u>	<u>\$ 538,750</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority			
<u>Year Ending</u>			
<u>June 30:</u>			
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	<u>76,741</u>	<u>924</u>	<u>77,665</u>
	<u>\$ 792,085</u>	<u>\$ 63,084</u>	<u>\$ 855,169</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond, Series 2017			
<u>Year Ending</u>			
<u>June 30:</u>			
2022	\$ 88,000	\$ 22,869	\$ 110,869
2023	90,000	21,924	111,924
2024	91,000	20,969	111,969
2025	93,000	19,992	112,992
2026	95,000	18,995	113,995
2027	97,000	17,976	114,976
2028	99,000	16,937	115,937
2029	101,000	15,876	116,876
2030	103,000	14,795	117,795
2031	105,000	13,692	118,692
2032	107,000	12,569	119,569
2033	109,000	11,424	120,424
2034	111,000	10,259	121,259
2035	114,000	9,062	123,062
2036	116,000	7,844	123,844
2037	118,000	6,605	124,605
2038	121,000	5,334	126,334
2039	123,000	4,043	127,043
2040	126,000	2,720	128,720
2041	128,000	1,376	129,376
2042	131,000	688	131,688
	<u>\$ 2,266,000</u>	<u>\$ 255,943</u>	<u>\$ 2,521,943</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<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			
<u>June 30:</u>			
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>\$ 1,486,000</u>	<u>\$ 17,847</u>	<u>\$ 1,503,847</u>

Interest is estimated based on the rate at June 30, 2021 of 0.22%

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Interdepartmental Loan - Gas Department			
Year Ending <u>June 30:</u>			
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	34,723	129	34,852
	<u>\$ 931,143</u>	<u>\$ 127,483</u>	<u>\$ 1,058,626</u>

Interest is estimated based on the rate at June 30, 2021 of 1.25%

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan SRF 2003-170			
Year Ending <u>June 30:</u>			
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	<u>17,045</u>	<u>49</u>	<u>17,094</u>
	<u>\$ 210,329</u>	<u>\$ 12,505</u>	<u>\$ 222,834</u>

State Revolving Loan SRF 07-177

Year Ending <u>June 30:</u>			
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	<u>74,759</u>	<u>823</u>	<u>75,582</u>
	<u>\$ 421,763</u>	<u>\$ 31,999</u>	<u>\$ 453,762</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority Loan			
Year Ending <u>June 30:</u>			
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>\$ 3,046,000</u>	<u>\$ 337,507</u>	<u>\$ 3,383,507</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan DG3 14-148			
<u>Year Ending</u>			
<u>June 30:</u>			
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>\$ 1,408,179</u>	<u>\$ 107,720</u>	<u>\$ 1,515,899</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017 Water and Sewer Revenue Tax Bonds			
<u>Year Ending</u> <u>June 30:</u>			
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, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017 Water and Sewer Revenue Tax Bonds (continued)			
Year Ending <u>June 30:</u>			
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>\$ 1,366,562</u>	<u>\$ 778,790</u>	<u>\$ 2,145,352</u>

CITY OF SWEETWATER, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2021

<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
Lamar Hughes	City Council Representative
Rodney Boruff	Director of Schools
Angie Kyle	Principal, Brown Elementary School
Alice Tyler	Principal, Sweetwater Elementary School
Nikki Nile	Principal, Sweetwater Junior High School
Katrina Gravitt	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
Jami Kiger, CPA	Chief Financial Officer
Jan Broyles	Accounting Manager

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND

June 30, 2021

Residential:

Base charges:

Customer charge per month	\$ 23.42
Energy charge (cents per kilowatt-hour)	8.623

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)	10.013
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)	10.222
Energy charge for additional kilowatt-hours per month (cents per kilowatt-hour)	5.926
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)	5.96

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND
(continued)

June 30, 2021

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	.05224
On peak, under 5,000 kilowatts	.04821
Off peak-first 200 HUD (over 5,000 kilowatts)	.05224
Off peak-first 200 HUD (under 5,000 kilowatts)	.04821
Off peak-next 200 HUD	.02088
Off peak-additional HUD	.01833

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, 2021

Outdoor lighting:		
Customer charge: traffic signals and athletic field lighting per delivery point per month	\$ 7.60	
Energy charge (cents per kilowatt-hour)	6.687	
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	7,238
General power-under 50 kilowatts	1,893
General power-50 kilowatts and over	108
Street and athletic	<u>87</u>
	9,326
Outdoor lighting	2,376

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
NATURAL GAS FUND

June 30, 2021

General:

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

Schools:

Minimum bill (excluding gas charge)	\$ 7.00
All 100 cubic feet (per 100 cubic feet)	.74

NUMBER OF METERED CUSTOMERS

Residential	1,244
Commercial	280
Industrial	23
Schools	<u>21</u>
	1,568

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
WATER AND SEWER FUND

June 30, 2021

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	4,119	1,939
Commercial	575	382
Industrial	<u>20</u>	<u>18</u>
	4,714	2,339

See the accompanying independent accountants' audit report.

Click to access definition
Click to add a comment

Water Audit Report for: **Sweetwater Utilities Board**
Reporting Year: **2021** **7/2020 - 6/2021**

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="text" value="9"/>	405.872	MG/Yr
Water imported:	<input type="text" value="8"/>	84.462	MG/Yr
Water exported:	<input type="text" value="n/a"/>		MG/Yr
WATER SUPPLIED:		494.906	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	<input type="text" value="2.00%"/>	Value:	<input type="text" value="-6.228"/>	MG/Yr
Enter negative % or value for under-registration Enter positive % or value for over-registration				

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="8"/>	331.615	MG/Yr
Billed unmetered:	<input type="text" value="5"/>	0.767	MG/Yr
Unbilled metered:	<input type="text" value="8"/>		MG/Yr
Unbilled unmetered:	<input type="text" value="6.186"/>		MG/Yr
AUTHORIZED CONSUMPTION:		338.568	MG/Yr

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

Click here: for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

Pcnt: Value:

WATER LOSSES (Water Supplied - Authorized Consumption)

156.338 MG/Yr

Apparent Losses

Unauthorized consumption:	<input type="text" value="1.237"/>	MG/Yr
Customer metering inaccuracies:	<input type="text" value="4.198"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="0.829"/>	MG/Yr
Apparent Losses:	6.264	MG/Yr

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

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

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: **156.338** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="10"/>	132.0	miles
Number of active AND inactive service connections:	<input type="text" value="7"/>	4,991	
Service connection density:	<input type="text" value="38"/>		conn./mile main
Are customer meters typically located at the curbside or property line?	<input type="text" value="Yes"/>		(length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line:	<input type="text" value="70.0"/>		psi

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

COST DATA

Total annual cost of operating water system:	<input type="text" value="2,067,484"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="7.40"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="800.01"/>	\$/Million gallons

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**

See 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: **2021** | **7/2020 - 6/2021**

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

System Attributes:

Apparent Losses:	<input type="text" value="6.264"/>	MG/Yr
+ Real Losses:	<input type="text" value="150.074"/>	MG/Yr
= Water Losses:	<input type="text" value="156.338"/>	MG/Yr

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: 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:
Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day: gallons/connection/day
Real Losses per length of main per day*:
Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

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

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

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

See independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

OPERATIONS EXPENSES - PROPRIETARY FUNDS

Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Purchased power/gas	\$ 17,967,013	\$ 1,127,648	\$ 0	\$ 19,094,661
Other operations expenses:				
Distribution expenses:				
Operating supervision	66,686	0	32,316	99,002
Operating labor	0	0	551,522	551,522
Transmission, distribution lines and load dispatching	0	941	97,560	98,501
Mains and services	0	164,582	0	164,582
Station expense	429	0	0	429
Overhead line	99,376	0	0	99,376
Street lighting and signal system	7,593	0	0	7,593
Meter expense and house regulator	93,520	32,312	0	125,832
Chemicals	0	0	102,860	102,860
Pre-treatment testing	0	0	2,169	2,169
Customer installations	29,114	0	0	29,114
Purchased power and gas	0	0	165,930	165,930
Miscellaneous distribution expense	34,040	0	143,231	177,271
Rents	<u>20,158</u>	<u>0</u>	<u>0</u>	<u>20,158</u>
	350,916	197,835	1,095,588	1,644,339
Customer accounts expenses:				
Supervision	25,076	0	0	25,076
Meter reading	51,815	19,606	41,638	113,059
Customer records and collection	<u>320,516</u>	<u>69,244</u>	<u>129,897</u>	<u>519,657</u>
	397,407	88,850	171,535	657,792

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

OPERATIONS EXPENSES - PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Customer service expenses:				
Customer assistance	5,337	16,376	0	21,713
Administrative and general expenses:				
Salaries	189,055	67,784	98,115	354,954
Office supplies	73,968	7,129	31,188	112,285
Outside services	26,850	7,050	13,128	47,028
Property insurance	28,641	4,350	18,114	51,105
Injuries and damages insurance	79,387	11,656	65,017	156,060
Employees' pension and postemployment benefits	308,219	37,835	97,426	443,480
General advertising	0	1,288	0	1,288
Miscellaneous general	50,753	15,458	52,229	118,440
Industrial development	6,526	0	0	6,526
Rents	0	0	0	0
	<u>763,399</u>	<u>152,550</u>	<u>375,217</u>	<u>1,291,166</u>
Taxes:				
Payroll	<u>115,397</u>	<u>17,153</u>	<u>49,280</u>	<u>181,830</u>
Total other operations expenses	<u>1,632,456</u>	<u>472,764</u>	<u>1,691,620</u>	<u>3,796,840</u>
TOTAL OPERATIONS EXPENSES	<u>\$ 19,599,469</u>	<u>\$ 1,600,412</u>	<u>\$ 1,691,620</u>	<u>\$ 22,891,501</u>

CITY OF SWEETWATER, TENNESSEE

DISTRIBUTION AND MAINTENANCE EXPENSES - PROPRIETARY FUNDS

Year Ended June 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Distribution expenses:				
Supervision	\$ 36,732	\$ 0	\$ 0	\$ 36,732
Station	56,760	0	0	56,760
Overhead and underground lines	963,804	0	0	963,804
Line transformers	11,402	0	0	11,402
Street lighting and signal system	6,480	0	0	6,480
Meters	<u>10,765</u>	<u>0</u>	<u>0</u>	<u>10,765</u>
	1,085,946	0	0	1,085,946
Maintenance expenses:				
Pumping equipment	0	0	25,433	25,433
Structures and improvements	0	0	40,286	40,286
Treatment equipment	0	0	18,437	18,437
Transmission and distribution mains	0	0	198,777	198,777
Mains	0	21,421	0	21,421
Services	0	67	54,950	55,017
Meters and house regulators	0	12,737	17,869	30,606
Fire mains and hydrants	0	0	11,251	11,251
Lift station	0	0	23,242	23,242
General plant	46,327	1,381	5,896	53,604
Sewer plant	<u>0</u>	<u>0</u>	<u>1,108</u>	<u>1,108</u>
	<u>46,327</u>	<u>35,606</u>	<u>397,249</u>	<u>479,182</u>
TOTAL DISTRIBUTION AND MAINTENANCE EXPENSES	<u>\$ 1,132,270</u>	<u>\$ 35,606</u>	<u>\$ 397,249</u>	<u>\$ 1,565,125</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2021

Governmental Activities:

<u>Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
Child Nutrition Cluster:			
U.S. Department of Agriculture/ Tennessee Department of Education	10.555	N/A	\$ 622,992
U.S. Department of Agriculture/ Tennessee Department of Education	10.553	N/A	<u>227,752</u>
Total Child Nutrition Cluster			850,744
Special Education Cluster:			
U.S. Department of Education	84.027	N/A	366,762
U.S. Department of Education	84.173	N/A	<u>17,892</u>
Total Special Education Cluster			384,654
U.S. Department of Education	84.010	N/A	404,261
U.S. Department of Education	84.367A	N/A	31,427
U.S. Department of Education	84.365AA	N/A	7,839
U.S. Department of Education	84.424A	N/A	17,329

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2021

<u>Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
COVID-19 Education Stabilization Fund:			
U.S. Department of Education	84.425D	N/A	339,295
U.S. Department of Education TN Department of Education	84.425C	N/A	<u>40,000</u>
Total COVID-19 Education Stabilization Fund			379,295
U.S. Department of Housing and Urban Development/TN Department of Economic and Community Development	14.228	TN-19502-19	47,160
U.S. Department of Housing and Urban Development/TN Department of Economic and Community Development	14.228	12811	92,537
U.S. Department of Housing and Urban Development/TN Department of Economic and Community Development	14.228	13173	19,260
U.S. Department of Transportation/ TN Department of Transportation	20.607	Z-19-THS-276	540

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2021

<u>Grantor Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Highway Planning and Construction Cluster: U.S. Department Transportation/TN Department of Transportation	20.205	STP-M-9118(9)	12,000
U.S. Department of Homeland Security	97.044	EMW-2019-FG-2109	43,454
U.S. Department of Justice	16.607	N/A	2,925
U.S. Department of Treasury/	21.019	N/A	<u>88,020</u>
Total Federal Awards			2,381,445
<u>State Financial Assistance</u>			
Tennessee Department of Education	N/A	N/A	157,437
Tennessee Department of Transportation	N/A	62LPLM-S3-05	24,398
Tennessee Department of Tourist Development	N/A	N/A	5,118
Tennessee Department of Finance and Administration	N/A	N/A	<u>159,498</u>
Total State Financial Assistance			<u>346,451</u>
Total Federal Awards and State Financial Assistance			<u>\$ 2,727,896</u>

CITY OF SWEETWATER, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

June 30, 2021

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, 2021. The schedule is presented using the full accrual basis of accounting. Because this schedule presents only a portion of the operations of City of Sweetwater, Tennessee, it is not intended and does not present the net position or changes in net position of City of Sweetwater, Tennessee.

NOTE 2 – OUTSTANDING LOAN BALANCE

City of Sweetwater, Tennessee had no outstanding federal loan balances at June 30, 2021. 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 outstanding loan balance at June 30, 2021 was \$1,366,562 related to the Water and Waste Disposal Systems for Rural Communities program (Assistance Listing Number 10.760).

NOTE 3 – INDIRECT COST RATE

City of Sweetwater, Tennessee and the Sweetwater Utilities Board Water and Sewer Department have 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, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
Governmental Activities:			
<u>Bonds Payable</u>			
Tennessee Municipal Bond, Series 2001	\$ 6,000,000	0.570	1/28/2002
Tennessee Municipal Bond, Series 2016	1,200,000	2.860	6/20/2016
Tennessee Municipal Bond, Series 2020	500,000	2.160	6/20/2021
Tennessee Municipal Bond, Series 2017	2,600,000	1.050	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>\$ 12,287,472</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
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>\$ 19,973,001</u>		

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2020</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2021</u>
5/25/2030	\$ 2,816,000	\$ 0	\$ 244,000	\$ 0	\$ 2,572,000
5/1/2031	923,900	0	73,000	0	850,900
5/1/2028	0	500,000	0	0	500,000
5/25/2042	2,352,000	0	86,000	0	2,266,000
2/28/2029	883,001	0	90,916	0	792,085
5/3/2021	<u>52,600</u>	<u>0</u>	<u>52,600</u>	<u>0</u>	<u>0</u>
	<u>\$ 7,027,501</u>	<u>\$ 500,000</u>	<u>\$ 546,516</u>	<u>\$ 0</u>	<u>\$ 6,980,985</u>
11/20/2026	\$ 246,581	\$ 0	\$ 36,252	\$ 0	\$ 210,329
6/20/2027	486,215	0	64,452	0	421,763
6/20/2036	1,494,828	0	86,649	0	1,408,179
11/12/2058	1,387,842	0	21,280	0	1,366,562
4/1/2029	3,370,000	0	324,000	0	3,046,000
5/1/2025	1,914,000	0	428,000	0	1,486,000
11/1/2038	<u>972,351</u>	<u>0</u>	<u>41,208</u>	<u>0</u>	<u>931,143</u>
	<u>\$ 9,871,818</u>	<u>\$ 0</u>	<u>\$ 1,001,841</u>	<u>\$ 0</u>	<u>\$ 8,869,976</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, 2021, 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 March 21, 2022. 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.

March 21, 2022

CITY OF SWEETWATER, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2021

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, 2021. 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, 2021.

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

March 21, 2022

CITY OF SWEETWATER, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

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 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>Assistance Listing Number.</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
IDEA B	84.027
IDEA B - Preschool	84.173

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.