

LENOIR CITY UTILITIES BOARD

**ANNUAL FINANCIAL REPORT
WITH REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION**

June 30, 2021

and

INDEPENDENT AUDITOR'S REPORT

LENOIR CITY UTILITIES BOARD
LENOIR CITY, TENNESSEE

Annual Financial Report
With Required and Other
Supplementary Information

June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	1 – 6
Directory	7
Organizational Chart	8
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	9 – 11
Required Supplementary Information:	
Management's Discussion and Analysis	12 – 18
Basic Financial Statements:	
Statement of Net Position	19 – 20
Statement of Revenues, Expenses and Change in Net Position	21
Statement of Cash Flows	22 – 23
Notes to Basic Financial Statements	24 – 48
Required Supplementary Information:	
Schedule of Changes in the Net OPEB Liability and Related Ratios	49
Schedule of Changes in the Net Pension Liability and Related Ratios	50
Schedule of Board Contributions – Pension Plan	51
Schedule of Investment Returns – Pension Plan	52
Other Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	53
Notes to Schedule of Expenditures of Federal and State Awards	54
Combining Statement of Net Position	55 – 56
Combining Statement of Net Position for Water and Sewer Department	57 – 58
Combining Statement of Revenues, Expenses and Change in Net Position	59
Combining Statement of Revenues, Expenses and Change in Net Position for Water and Sewer Department	60
Combining Statement of Cash Flows	61 – 62
Combining Statement of Cash Flows for Water and Sewer Department	63 – 64
Schedule of Utility Plant:	
Power and Light Department	65

LENOIR CITY UTILITIES BOARD
LENOIR CITY, TENNESSEE

Annual Financial Report
With Required and Other
Supplementary Information

June 30, 2021

TABLE OF CONTENTS (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Other Supplementary Information (Continued):	
Schedule of Utility Plant (Continued):	
Gas Department	66
Water and Sewer Department – Water Division	67
Water and Sewer Department – Sewer Division	68
Schedule of Long-Term Principal and Interest Requirements:	
Power and Light Department	69
Gas Department	70
Water and Sewer Department – Water Division	71
Water and Sewer Department – Sewer Division	72 – 74
Schedule of Changes in Long-Term Debt by Individual Issue	75 – 77
Schedule of Utility Rates and Number of Customers:	
Power and Light Department	78 – 79
Gas Department	80
Water and Sewer Department – Water Division	81
Water and Sewer Department – Sewer Division	82
<u>STATISTICAL SCHEDULES (Unaudited)</u>	
AWWA Reporting Worksheet	83
AWWA System Attributes and Performance Indicators	84
<u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85 – 86
Summary Schedule of Prior Audit Findings	87

INTRODUCTORY SECTION



March 9, 2022

Board Members
Lenoir City Utilities Board

The Annual Financial Report of the Lenoir City Utilities Board (Utilities Board) for the fiscal year ended June 30, 2021, is submitted herewith. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the Utilities Board. The staff of the Utilities Board's Finance Department prepared this Annual Financial Report. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of the operations of the Utilities Board, and that all disclosures necessary to enable the readers to gain the maximum understanding of the Utilities Board's financial activity have been included.

Brown Jake & McDaniel, PC, a firm of licensed certified public accountants, has audited the Utilities Board's basic financial statements. The goal for the independent audit was to provide reasonable assurance that the basic financial statements of the Utilities Board for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Utilities Board's basic financial statements for the year ended June 30, 2021, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Utilities Board's MD&A can be found as the second component of the financial section of this report.

The Annual Financial Report is presented in four sections: introductory and financial, statistical, and internal control and compliance.



Introductory Section	This letter of transmittal and such other material as may be useful in understanding the reporting entity.
Financial Section	The auditor's report and basic financial statements of the Utilities Board, which present fairly the financial position, results of operations, and cash flows for the fiscal year. Also included is a schedule of expenditures of Federal and State awards, required supplementary information, and other supplementary information.
Statistical	This contains the American Water Works Association Reporting Worksheet and the American Water Works Association System Attributes and Performance Indicators
Internal Control and Compliance Section	The independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards

The summary schedule of prior audit findings

THE REPORTING UNIT

The Utilities Board was established in accordance with provisions of the City Charter. The Utilities Board consists of nine members, who are composed of the six (6) members of the City Council of the City of Lenoir City, Tennessee, and two (2) additional members that are appointed to represent West Knoxville, together with the Mayor who shall be ex officio Chairman of the Utilities Board. The Mayor is elected each four years. The members of City Council are elected for staggered four-year terms.

The City Charter, Section 9a., states that the Utilities Board is to have management, control, supervision, and operation of all utilities' services provided by the City of Lenoir City. These utilities consist of electricity, natural gas, water, and sewer. The Utilities Board is a department of the City of Lenoir City, Tennessee, and this report includes all systems of the Utilities Board. This report does not include the financial activities of the City of Lenoir City. Reference should be made to their report published separately.

SYSTEM PROFILE

The Utilities Board consists of the Electric, Gas, Water, and Sewer Departments which are managed and operated for the City by the Utilities Board. The Electric System serves Lenoir City,



Farragut, a portion of Knoxville, unincorporated northern Loudon County, and unincorporated west Knox County. The **Electric System** encompasses 220 square miles. At June 30, 2021, the Electric system had 70,892 customers. The Electric System does not generate any electric power but purchases its entire supply from the Tennessee Valley Authority (TVA) pursuant to a power contract dated as of December 19, 1990, (the “Power Contract”). The Power Contract is the third 20-year contract entered into between the Electric System and TVA. The contract initially continued in effect until midnight on December 31, 2010, but it has a rolling one-year term provision beginning on the tenth anniversary, and every anniversary thereafter, unless notice is given by either party, so it currently would not expire until December 31, 2021. Under the Contract, the Electric System agrees to purchase all its electric power from TVA. The power sold to the Electric System is supplied from the entire TVA system and not one specific generating facility. The Electric System is not dependent on one or a small number of large customers. A total of 53.82% of the electric revenue comes from residential customers, 45.38% from commercial and industrial customers, and 0.80% from street and outdoor lighting customers.

The Gas System serves the City of Lenoir City and parts of Loudon County. It has approximately 194 miles of natural gas mains serving 6,638 customers as of June 30, 2021. The natural gas system has firm transportation contracts in place with Enbridge (East Tennessee Natural Gas) LCUB has a contract with Enbridge for 5,268 Dth/day, as a large customer. This system has two gas supply contracts with ETNG/Enbridge serving our City Gate and the Hwy 321 location. Both delivery points are supplied with 4,785 Dth/day through contract with Enbridge and an additional contract with Center Point Energy (MEAC) for 2500 MMBtu.

The Water System serves the City of Lenoir City and the immediate surrounding area, encompassing approximately 57 square miles with a total of 11,720 customers as of June 30, 2021. Primary water supply is obtained from the Tennessee River and treatment of the raw water is presently accomplished through a 3 MGD conventional surface water treatment plant. A secondary water supply is a ground water spring in northern Loudon County. The ground water spring supplies another 700,000 gallons per day and is treated by 864,000 gallons per day conventional plant with pressure filters. The Water System also purchases water from First Utility District under contract for a guaranteed supply of 550,000 gallons per day with 100,000 gallons per day take or pay (or 3,000,000 gallons per month). The Water System meets all federal and state drinking water standards and has storage capacity of 6.0 MG. It is composed of approximately 167 miles of distribution lines, remote pumping facilities, storage tanks, hydrants and valves.

The Sewer System serves the City of Lenoir City and the immediate surrounding area, encompassing approximately 60 square miles with a total of 6,086 customers as of June 30, 2021. The Sewer System consists of 32 lift stations, 45 miles of gravity sewer lines ranging from 6 to 36 inches in diameter, and approximately 14 miles of force main ranging in size from 6 to 12 inches. The sewer is treated by a 2.0 MGD trickling filter plant and a 3.0 MGD oxidation treatment plant.



LOCAL ECONOMY

Lenoir City is located in Loudon County in the eastern part of Tennessee, approximately 20 miles southwest of Knoxville and six miles north of the City of Loudon, the county seat. The City is the largest city in Loudon County and serves as its principal trade center. Loudon County has an area of 240 square miles.

The City is located within three miles of Interstates 40 and 75, and is served by U.S. Highway 11 and U.S. Highway 321. Highway 321 is a major route to the Great Smoky Mountains National Park. The City is adjacent to Fort Loudon Lake, Tellico Lake, and Watts Bar Lake on the Tennessee River. McGhee Tyson Airport, the Knoxville municipal airport, is 25 miles from the City.

The major factors in the economy of Lenoir City and surrounding Loudon and Knox Counties are light manufacturing, retail trade, services, and government. The labor force in the area enjoys a below average unemployment rate when compared to both the state and national averages. The Utilities Board's service area is located near the Oak Ridge National Laboratory. There are many quality educational centers in the area such as the University of Tennessee, Pellissippi State, and Roane State Colleges.

NEW BUSINESS

Lenoir City Utilities Board continues to be one of the fastest growing electric utilities in the TVA region. The Water and Sewer System and the Gas System have shown a slight improvement in housing starts which equates to new water and wastewater taps. The Water System still enlists a consulting engineering firm to do selective comprehensive water modeling of the distribution system to allow us to make better decisions. The Sewer System continues to upgrade the wastewater plant and recently expanded their efforts into the collection system performing systematic characterizations of the delineated basins.

CASH MANAGEMENT

The Utilities Board has agreements with local depository banks which provide that the Utilities Board's funds earn interest in the amount of .25 percentage points above the federal six-month Treasury bill. All funds are collateralized either through the State Collateral Pool, third party safekeeping agreements, or FDIC Insurance.



RISK MANAGEMENT

The Utilities Board has a comprehensive risk management program. This includes monthly safety meetings with all crews conducted by a State Job Training and Safety employee.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The Lenoir City Utilities Board Employees Pension Plan is a defined benefit plan covering all Utilities Board employees. Participation in the plan is compulsory for all employees of the Utilities Board. Employees are eligible to participate after one year of employment and attainment of age 18. The Plan is currently funded at 91.3% per LCUB's June 30, 2020 measurement date actuary report prepared by Michael G. Guyton, consulting actuary with Bryan, Pendleton, Swats and McAllister, LLC. In addition to providing pension benefits, the Utilities Board provides certain health care benefits for retired employees. Substantially all of the Utilities Board's employees may become eligible for these benefits if they reach normal retirement age or length of service while working for the Utilities Board.

DEBT MANAGEMENT

At June 30, 2021, the Utilities Board's Electric System had outstanding insured notes and revenue bonds in the amount of \$51,044,666. Debt service schedules go to 2041. The interest rates are variable, and the rates were 3.0% on June 30, 2021. The Gas System's and the Water and Sewer System's total outstanding long-term debt at June 30, 2021 was \$24,209,762. Debt service schedules go to 2037. This debt consists of capital outlay notes, Rural Development Loans, State Revolving Fund Loans and TML Bond Fund Loans. The interest rates are mixed between variable and fixed. The interest rates range from 0.22% and 7.18% on June 30, 2021.

CITY TRANSFER

The only transfers to the City are the annual tax equivalent payments. The tax equivalent payments for the year ended June 30, 2021 were \$3,729,372 from the Electric Department and \$182,507 from the Gas Department.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Utilities Board's Department of Finance. I would like to express my appreciation to all members of the department who assisted and



contributed to its preparation. I would also like to express my thanks to the Board, the General Manager, and the entire Utilities Board staff for their interest and support in planning and conducting the financial operations in a responsible and progressive manner.

A handwritten signature in blue ink, which appears to read "Suzan Williams", is written over a horizontal line.

Suzan Williams
Manager, Finance and Accounting

DIRECTORY

Board Members

Tony Aikens, Chairman
Jennifer Wampler, Vice Chairman
Eddie Simpson
James Shields
George Bove
Joel Garber
Mike Henline
Douglas Hines
James Brandon

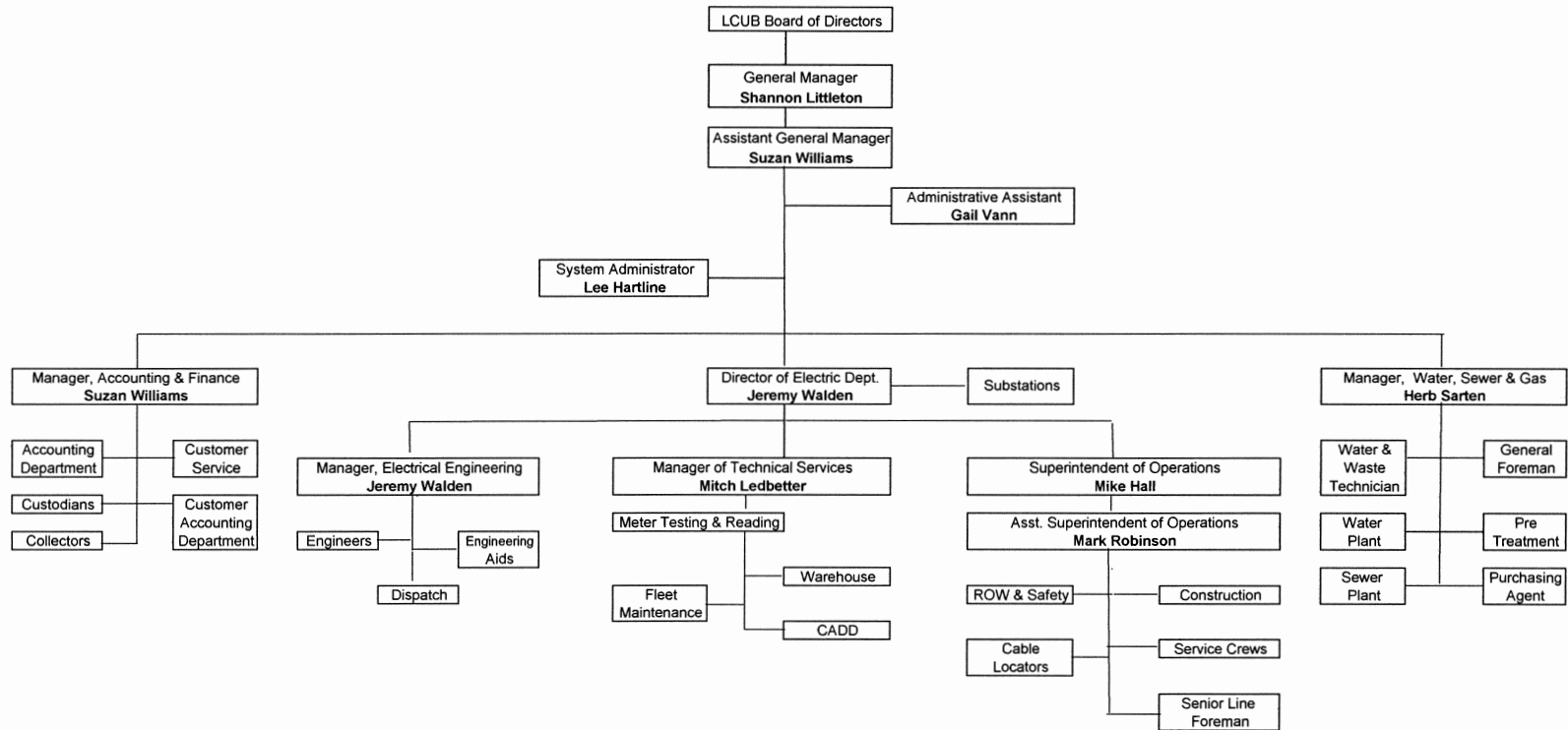
Management Team

M. Shannon Littleton, General Manager
Suzan Williams, Assistant General Manager and Manager of Accounting and Finance
Jeremy Walden, Manager of Electric
Mike Hall, Superintendent of Operations
Mitch Ledbetter, Manager of Technical Services
Herbert Sarten, Manager of Water, Wastewater and Gas

Independent Certified Public Accountants

Brown Jake & McDaniel, PC
Knoxville, Tennessee

LENOIR CITY UTILITIES BOARD
ORGANIZATIONAL CHART



FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
 2607 KINGSTON PIKE, SUITE 110
 KNOXVILLE, TENNESSEE 37919-3336
 865/637-8600 • fax: 865/637-8601
 www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
 FRANK D. McDANIEL, CPA, CGFM, CGMA
 TERRY L. MOATS, CPA, CGFM, CGMA
 JAMES E. BOOHER, CPA, CGMA
 HALEY S. SLAGLE, CPA, CGMA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Lenoir City Utilities Board
 Lenoir City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Lenoir City Utilities Board, an enterprise fund of the City of Lenoir City, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lenoir City Utilities Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lenoir City Utilities Board, an enterprise fund of the City of Lenoir City, Tennessee, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Lenoir City Utilities Board enterprise fund and do not purport to, and do not present fairly the financial position of the City of Lenoir City, Tennessee, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 18 and the required supplementary information on pages 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lenoir City Utilities Board, an enterprise fund of the City of Lenoir City, Tennessee. The introductory section, the other supplementary information section, and the statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information section and the schedule of expenditures of federal and state awards 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 records in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, including the schedule expenditures of federal and state awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical schedules listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no 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 4, 2022 on our consideration of Lenoir City Utilities Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of the 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 Lenoir City Utilities Board's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lenoir City Utilities Board's internal control over financial reporting and compliance.

Brown Lake + McDaniel, PC

Knoxville, Tennessee

March 4, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lenoir City Utilities Board's (Utilities Board) annual financial report presents the analysis of the Utilities Board's financial performance during the fiscal year that ended June 30, 2021. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Utilities Board's Net Capital Assets increased by \$9.3 million or 3.4 percent.
- The Utilities Board's Total Net Position increased by \$13.4 million or 6.8 percent.
- The Utilities Board's Total Revenues increased by \$2.7 million or 1.4 percent.
- The Utilities Board's Total Expenses decreased by \$3.6 million or 2.1 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Internal Control and Compliance. The Introductory Section includes a Letter of Transmittal, the Utilities Board's Directory and Organizational Chart. The Financial Section includes the Independent Auditor's Report, the Management's Discussion and Analysis, Basic Financial Statements with accompanying Notes, and Required and Other Supplementary Information. The Statistical Schedules (Unaudited) Section includes pertinent financial information required by the State Comptroller's office. The Internal Control and Compliance Section includes the Auditor's Reports on Internal Control and Compliance.

The Utilities Board follows Government Accounting Standards Board (GASB) Statement 34. This statement has little effect on the basic financial statements except for the classification of net position, the reflection of capital contributions as a change in net position, and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the Utilities Board's overall financial position and results of operations. Also, the Statement of Cash Flows is presented using the direct method.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the Utilities Board report information about the Utilities Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The **Statement of Net Position** includes all of the Utilities Board's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Utilities Board creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Utilities Board, and assessing the liquidity and financial flexibility of the Utilities Board.

All of the current year's revenues and expenses are accounted for in the **Statement of Revenues, Expenses, and Change in Net Position**. This statement measures the success of the Utilities Board's operations over the past year and can be used to determine whether the Utilities Board has successfully recovered all its costs through its user fees and other charges. This statement also measures its profitability and credit worthiness.

The other required financial statement is the **Statement of Cash Flows**. The primary purpose of this statement is to provide information about the Utilities Board's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities; and provides answers to such questions as "where did cash come from?", "what was cash used for?", and "what was the change in cash balance during the reporting period?".

FINANCIAL ANALYSIS OF THE UTILITIES BOARD AS A WHOLE

One of the most important questions asked about the Utilities Board's finances is, "Is the Utilities Board, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position report information about the Utilities Board's activities in a way that will help answer this question. These two statements report the net position of the Utilities Board, and any change in it. You can think of the Utilities Board's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Utilities Board's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as economic conditions, customer growth and legislative mandates.

The Utilities Board's total net position increased from last year by \$16.6 million, including \$3.2 million resulting from the consolidation of Martel Utility District. The analysis below focuses on the Utilities Board's net position (Table 1) and change in net position (Table 2) during the year.

Changes in the Utilities Board's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Change in Net Position for the year.

Table 1
Net Position

	FY 2021	FY 2020	Increase (Decrease)	
			Amount	%
Current and Other Assets	\$ 67,264,926	\$ 50,554,876	\$ 16,710,050	33.05%
Capital Assets	282,488,129	273,226,290	9,261,839	3.39%
Total Assets	\$ 349,753,055	\$ 323,781,166	\$ 25,971,889	8.02%
Deferred Outflows of Resources	\$ 4,814,950	\$ 5,204,579	\$ (389,629)	-7.49%
Long-Term Liabilities	\$ 87,828,612	\$ 87,144,432	\$ 684,180	0.79%
Other Liabilities	47,080,595	43,590,842	3,489,753	8.01%
Total Liabilities	\$ 134,909,207	\$ 130,735,274	\$ 4,173,933	3.19%
Deferred Inflows of Resources	\$ 7,880,248	\$ 3,113,440	\$ 4,766,808	153.10%
Net Investment in Capital				
Assets				
Restricted	\$ 195,622,098	\$ 193,246,060	\$ 2,376,038	1.23%
Unrestricted	-	-	-	-
	16,156,452	1,890,971	14,265,481	754.40%
Total Net Position	\$ 211,778,550	\$ 195,137,031	\$ 16,641,519	8.53%

Table 2
Statement of Revenues, Expenses, and Change in Net Position

	FY 2021	FY 2020	Increase (Decrease)	
			Amount	%
Operating Revenues	\$ 188,211,017	\$ 185,539,398	\$ 2,671,619	1.44%
Non-Operating Revenues	168,962	108,598	60,364	55.58%
Total Revenues	188,379,979	185,647,996	2,731,983	1.47%
Purchased Energy	128,874,508	132,742,014	(3,867,506)	-2.91%
Distribution and Treatment	10,428,447	11,083,219	(654,772)	-5.91%
Customer Account Services Expense	3,987,462	3,589,657	397,805	11.08%
Administrative and General Expense	5,584,156	6,023,805	(439,649)	-7.30%
Maintenance Expense	8,488,644	8,078,449	410,195	5.08%
Depreciation Expense	11,997,032	11,339,834	657,198	5.80%
Interest and Other Debt Cost	1,680,795	1,810,842	(130,047)	-7.18%
Total Expenses	171,041,044	174,667,820	(3,626,776)	-2.08%
Income Before Contributions and Transfers	17,338,935	10,980,176	6,358,759	57.91%
Capital Contributions from Governments	-	33,806	(33,806)	-100.00%
Transfers to Local Government	(3,911,879)	(4,057,423)	145,544	-3.59%
Change in Net Position	13,427,056	6,956,559	6,470,497	93.01%
Net Position, Beginning, as Previously Stated	195,137,031	187,778,688	7,358,343	3.92%
Martel Utility Absorption (see note 19)	3,214,463	401,784	2,812,679	700.05%
Net Position, Beginning, as Restated	198,351,494	188,180,472	10,171,022	5.40%
Net Position, Ending	\$ 211,778,550	\$ 195,137,031	\$ 16,641,519	8.53%

Total Operating Revenues increased by 1.44% compared to the prior year. Revenue in all departments was slightly up due mostly to residential and commercial sales with additional increases from MUD customers acquired by LCUB. Total Expenses decreased by 2.08%. Purchased Energy decreased by 2.91%. Distribution and Treatment decreased by 5.91% due to prior year increase in work order closing. Customer Account Services Expense increased by 11.08%. Administrative and General Expense decreased by 7.30% primarily due to the prior year increases in utility cost, insurance, software, and licensing. Depreciation is up by 5.8%. Interest Cost is down 7.18% due to normal principal payments and better interest rates. Even though there were no acquisitions by the Knoxville Utilities Board during the current year, future annexation by the City of Knoxville could result in additional loss of electric plant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2021, the Utilities Board had a net amount of \$282.5 million invested in a broad range of utility capital assets, including its electric distribution, gas distribution, water treatment plant, water distribution mains, water storage facilities and warehouses. This amount represents a net increase of \$9.3 million over the prior year.

Table 3
Capital Assets, Net of Accumulated Depreciation
(Dollars in Thousands)

<u>Net Utility Plant</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>Increase (Decrease)</u>
Electric	\$ 214,332	\$ 210,177	\$ 4,155
Gas	9,573	9,247	326
Water	23,088	20,254	2,834
Sewer	35,495	33,548	1,947
	<u>\$ 282,488</u>	<u>\$ 273,226</u>	<u>\$ 9,262</u>

This year's major additions include:

ELECTRIC

Land and land rights	\$ 2,302,469
Distribution plant	9,714,733
General plant	1,792,465
Plant future use	(178,213)
Construction work in progress (closures)	(1,103,702)

GAS

Distribution plant	342,227
General plant	28,774
Construction work in progress (closures)	493,204

WATER

Land and land rights	38,936
Treatment and distribution plant	5,052,215
General plant	681,720
Construction work in progress (closures)	689,837

SEWER

Land and land rights	65,200
Treatment and distribution plant	2,730,426
General plant	5,964
Construction work in progress (closures)	389,529

Improvements to the substations and distribution plant in the Electric Department should help reduce operating and maintenance expenses as well as improve the operating efficiency of the department. Future plans to update electric substations should help to improve the current operations as well as provide the necessary capacity needed for future growth.

The Utilities Board's FY 2022 capital budget plans for investing another \$19.0 million in capital projects including the following:

Electric system upgrades and improvements	\$ 450,000
Electric distribution plant	6,355,000
Electric substations and transmission	5,917,548
Fiber	100,000
Road construction projects	100,000
Transportation equipment	448,873
Information technology	1,142,545
Other Equipment	70,000
Water line extensions and rehabilitations	200,000
Meter Replacement	125,000
Aging Capital Replacement	150,000
SCADA	25,000
WTP Sludge Removal (Lagoons)	35,000
Sewer line extension and rehabilitations	286,500
Sewer lift station improvements	100,000
New lift station – Highway 321	555,500
Contingency	118,943
Main #1 Force Main	241,000
Transportation fleet and dump truck purchase	109,378
CCTV Work	30,000
Ross Property	500,000
Gas line extensions, rehabilitation and system ties	150,000
Aging capital replacement	100,000
Transportation	143,826
Line Pressure Point for Scada	16,000
Meter Replacements	75,000
Conkinnon Subdivision	<u>1,500,000</u>
	<u>\$19,045,113</u>

The Utilities Board may borrow funds to cover new capital expenditures if cash flow is not adequate over the upcoming year, depending on needed expansion. The State of Tennessee Revolving Loan Fund and the State of Tennessee Municipal Loan Bond Fund are being used to finance future Water and Sewer Department projects.

Debt Administration

At June 30, 2021, the Utilities Board's Electric Department had outstanding insured notes and revenue bonds in the amount of \$53.0 million. Debt service schedules go to 2041. The interest rates are mixed between fixed and variable. Interest rates range from 2.39% to 3.00% at June 30, 2021. All outstanding bonds are insured and rated AAA. Total principal payments of \$2,435,000 are due in 2021.

The amount of outstanding long-term debt in the Gas and Water and Sewer Departments at June 30, 2021 was \$30.0 million. Debt service schedules go to 2039. Total principal payments of \$2,939,554 are due in 2021. This debt consists of capital outlay notes, Rural Development Loans, State Revolving Fund Loans and TML Bond Fund Loans. The interest rates are variable and fixed, ranging from 1.22% to 7.18% on the long-term debt at June 30, 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

ELECTRIC

The Electric Department experienced modest growth in the number of customers and is expecting continued growth over the next year. In FY22, the electric department has several projects planned that will prove to better the quality of service we provide to our ratepayers. Some of those projects include finalizing on a land purchase in Hardin Valley for a new substation, starting the grading and construction for a new Concord Road substation, along with general maintenance in other substations. The electric department is well into a system-wide pole integrity inspection and replacement program. Several poles are being replaced on LCUB's system due to this inspection program. The electric department is deploying its first distribution automation pilot project. This project will help us with determining proper products and programs to implement when we install distribution automation across our entire system. Distribution automation will significantly reduce outage duration for our ratepayers. The electric department is also installing new ADMS (Advanced Distribution Management System) software that will act as the brains for our distribution automation system. The electric department will also be undertaking several distribution line replacements due to overloads or aging infrastructure. The installation of fiber infrastructure during FY22 to improve the electrical system will also allow the electric department to provide broadband services to the community. The business plan for the approximate \$135 million broadband project has been approved by the State of Tennessee and TVA, and the buildout is estimated to begin at the end of FY22. The projects listed for FY22 will assure a superior electric system for our ratepayers as we move forward toward the future.

WATER

Lenoir City Utilities Board Water Department is seeing steady growth. There has been an increase in customers from 9,533 at year end FY2020 to 11,720 at year end FY2021 due to the acquisition of Martel Utility District that took place during FY2021. The AMI water meter project continues to allow us to monitor inactive meters for unapproved water use. The leak detection system using ITRON Mlog software is helping us find leaks not showing at the top of the ground. The implementation of a new GIS system has assisted in design, system modeling, and infrastructure maintenance.

GAS

Lenoir City Utilities Board Gas Department is experiencing growth and some expansion of service territory. There has been an increase in customers from 6,510 at year end FY2020 to 6,638 at year end FY2021. Having an AMI system allows LCUB to identify unapproved use by monitoring use on inactive meters. The implementation of a new GIS system has assisted in design, system modeling, and infrastructure maintenance. Part of the budgeted capital projects for FY2022 include line extensions to customers in the Conkinnon area.

SEWER

Lenoir City Utilities Board Sewer Department is seeing slight but stable growth. There has been an increase in customers from 5,553 at year end FY2020 to 6,086 at year end FY2021. The increase of customers is partially related to the acquisition of Martel Utility District. MUD was billing around 300 sewer customers for First Utility District, so LCUB took over these customers after the acquisition occurred. LCUB purchased this portion of FUD's system in November 2020 for around \$2.1 million. The construction of a new sewer lift station is currently underway on the Highway 321 corridor. The implementation of a new GIS system has assisted in design, system modeling, and infrastructure maintenance

CONTACTING THE UTILITIES BOARD'S FINANCIAL MANAGEMENT

This annual financial report is designed to provide the Utilities Board's ratepayers and creditors with a general overview of the Utilities Board's finances and to demonstrate the Utilities Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Utilities Board's Manager of Accounting and Finance at Lenoir City Utilities Board, P.O. Box 220, Lenoir City, Tennessee 37771.

LENOIR CITY UTILITIES BOARD

Statement of Net Position

June 30, 2021

Assets

Current assets:	
Cash and cash equivalents	\$ 40,227,246
Receivables:	
Customers, less allowance for doubtful accounts of \$1,327,083	13,740,547
Unbilled revenue	7,958,622
Other	1,784,165
Materials and supplies inventories	2,000,570
Prepaid expenses	<u>1,208,324</u>
Total current assets	<u>66,919,474</u>
Noncurrent assets:	
Capital assets	418,704,334
Less accumulated depreciation	<u>136,216,205</u>
Net capital assets	<u>282,488,129</u>
Receivable - Tennessee Valley Authority Residential Energy Services Program	<u>345,452</u>
Total noncurrent assets	<u>282,833,581</u>
Total assets	<u>349,753,055</u>

Deferred Outflows of Resources

Deferred debt expense	545,986
Differences between projected and actual earnings on pension plan investments	18,841
Pension contributions subsequent to the measurement date	778,578
OPEB contributions subsequent to the measurement date	88,803
Differences between expected and actual experience - pension	1,775,134
Changes of assumptions - Pension	523,503
Changes of assumptions - OPEB	<u>1,084,105</u>
Total deferred outflows of resources	<u>4,814,950</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Statement of Net Position
(Continued)

June 30, 2021

Liabilities

Current liabilities (payable from current assets):	
Current maturities of long-term debt	\$ 5,374,554
Accounts payable:	
Trade	26,615,602
Retainage	21,105
Due to other departments	-
Accrued liabilities	5,490,661
Customer deposits	7,923,334
Customer advances for construction	<u>1,653,806</u>
Total current liabilities (payable from current assets)	<u>47,079,062</u>
Current liabilities (payable from restricted assets):	
Matured interest payable	<u>1,533</u>
Total current liabilities (payable from restricted assets)	<u>1,533</u>
Total current liabilities	<u>47,080,595</u>
Noncurrent liabilities:	
Long-term debt, excluding current maturities	81,491,477
Other	11,986
Advances from Tennessee Valley Authority Residential Energy Services Program	390,626
Net OPEB liability	4,484,746
Net pension liability	<u>1,449,777</u>
Total noncurrent liabilities	<u>87,828,612</u>
Total liabilities	<u>134,909,207</u>

Deferred Inflows of Resources

Differences between expected and actual experience - pension	236,730
Changes of assumptions - pension	
Differences between expected and actual experience - OPEB	1,848,348
Changes of assumptions - OPEB	4,406,264
	<u>1,388,906</u>
Total deferred inflows of resources	<u>7,880,248</u>

Net Position

Net position:	
Net investment in capital assets	195,622,098
Unrestricted	<u>16,156,452</u>
Total net position	<u>\$ 211,778,550</u>

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

LENOIR CITY UTILITIES BOARD

Statement of Revenues, Expenses and Change in Net Position

For the Fiscal Year Ended June 30, 2021

Operating revenues:	
Residential sales	\$ 101,197,574
Commercial and industrial sales - small	25,455,342
Commercial and industrial sales - large	56,293,295
Street and outdoor lighting	1,372,930
Interruptible sales	183,521
Other operating revenues	<u>3,708,355</u>
	<u>188,211,017</u>
Operating expenses:	
Purchased energy	128,874,508
Distribution and treatment	10,428,447
Customer account services	3,987,462
Administration and general	5,584,156
Maintenance	8,488,644
Depreciation	<u>11,997,032</u>
	<u>169,360,249</u>
Operating income	<u>18,850,768</u>
Non-operating revenues (expenses):	
Interest income	132,062
Interest expense	(1,621,451)
Amortization of debt expense	(50,234)
Amortization of loss on reacquisitioned debt	(8,914)
Amortization of premium on debt reacquisition	45,360
Gain (loss) on disposal	(45,556)
Rental income	<u>36,900</u>
	<u>(1,511,833)</u>
Income before capital contributions and transfers	17,338,935
Capital contributions from governments	-
Transfers to local government - in lieu of tax	<u>(3,911,879)</u>
Change in net position	<u>13,427,056</u>
Net position, beginning, as previously stated	195,137,031
Martel Utility District - Absorption	<u>3,214,463</u>
Net position, beginning, as restated	<u>198,351,494</u>
Net position, ending	<u>\$ 211,778,550</u>

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

LENOIR CITY UTILITIES BOARD

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 188,783,597
Cash payments to suppliers for goods and services	(139,845,843)
Cash payments to employees for services	<u>(16,176,812)</u>
Net cash provided by operating activities	<u>32,760,942</u>
Cash flows from noncapital and related financing activities:	
Miscellaneous non-operating income/expense	743,129
Cash payment for in lieu of taxes	(3,911,879)
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	<u>1,976</u>
Net cash used by noncapital and related financing activities	<u>(3,166,774)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(19,094,984)
Interest and debt issuance expense paid on debt	(1,635,239)
Customer advances for construction	88,580
Principal paid on long-term debt	(59,851,171)
Unamortized premium on long-term debt	3,982,997
Proceeds from issuance of debt	62,753,975
Retainage payable	<u>20,273</u>
Net cash used by capital and related financing activities	<u>(13,735,569)</u>
Cash flows from investing activities:	
Interest received on investments	132,062
Income from building lease	<u>36,900</u>
Net cash provided by investing activities	<u>168,962</u>
Net increase in cash and cash equivalents	16,027,561
Cash and cash equivalents, beginning of year	<u>24,199,685</u>
Cash and cash equivalents, end of year	<u>\$ 40,227,246</u>
Noncash investing and financing activities:	
Assets acquired in merger of MUD	<u>\$ 2,471,334</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Statement of Cash Flows
(Continued)

For the Fiscal Year Ended June 30, 2021

Reconciliation of operating income to net cash provided by
operating activities:

Operating income	\$ 18,850,768
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,250,635
(Increase) decrease in assets and deferred outflows —	
Accounts receivable	(784,315)
Unbilled revenue	(394,362)
Other receivables	944,795
Materials and supplies inventories	(236,595)
Prepaid expenses	(484,276)
Deferred outflows related to pension plan, OPEB, and debt expense	389,629
Increase (decrease) in liabilities and deferred inflows —	
Accounts payable	2,175,885
Retainage payable	10,398
Accrued liabilities	(73,173)
Net OPEB liability	(3,485,510)
Customer deposits	416,832
Deferred inflows related to pension and OPEB	4,766,808
Net pension liability	<u>(1,586,577)</u>
Net cash provided by operating activities	<u>\$ 32,760,942</u>

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

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The following items set forth the significant accounting policies, not disclosed elsewhere in the notes to the financial statements, which the Lenoir City Utilities Board ("the Utilities Board") follows in presenting its financial statements:

(a) Reporting Entity

Lenoir City Utilities Board ("the Utilities Board") is a self-supporting governmental enterprise fund of the City of Lenoir City, Tennessee ("the City"). The Utilities Board is managed and controlled by a Board of Commissioners who are appointed by the City's Board of Aldermen. The Utilities Board manages, operates and maintains the electric, gas, water and sewer utilities servicing the citizens of the City and surrounding areas. The Utilities Board issues an annual financial report which is combined in the City's annual financial report.

(b) Basis of Presentation

The financial statements of the Utilities Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Utilities Board applies all Governmental Accounting Standards Board (GASB) pronouncements unless it contradicts accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission (FERC) with respect to the Power and Light Department. The more significant accounting policies of the Utilities Board are described below.

The accounts of the Utilities Board are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Regulated Operations

The Utilities Board operates an electric utility that is regulated by Tennessee Valley Authority (TVA), an agency of the federal government. TVA exercises oversight in the rate setting process and requires the use of accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission (FERC). Specific accounting policies which are unique to FERC include: 1) When capital assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal costs less salvage is charged or credited to the accumulated depreciation account; 2) Electric plant additions are reduced by capital contributions; and 3) Debt issuance costs are treated as a regulatory asset as defined in GASB Statement 62 and are capitalized when incurred and amortized over the life of the related debt issue using the straight-line method.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)Regulated Operations (Continued)

The Utilities Board also has a power contract with TVA whereby the Utilities Board purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract.

Finally, the Utilities Board participates in TVA's Residential Energy Efficiency Program which provides loans to the Utilities Board's residential customers for heat pump and insulation costs.

Operating Revenues and Expenses – Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utilities Board's principal ongoing operations. The principal operating revenues of the Utilities Board are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted and Unrestricted Resources – When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncement that is effective in the current fiscal year:

Statement No.84, *Fiduciary Activities*
Statement No. 90, *Majority Equity Interests*

The adoption of these pronouncements has had no effect on the Utilities Board financial statements.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(d) Assets, Liabilities and Net Position

Cash Equivalents – Cash equivalents consist of certificates of deposit and money market investment accounts with local banks maturing in less than ninety days from date of acquisition.

Unbilled Revenue – These revenues represent the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

Inventories – Inventories of fuel, chemicals, supplies, construction materials and utility plant replacement parts are recorded at lower of cost (weighted average method) or market.

Prepaid Expenses – Prepaid expenses include payments made to vendors that will benefit periods beyond the end of the current fiscal year.

Capital Assets – Capital assets are stated at historical cost for items constructed or acquired by purchase and at estimated fair market value on the date received for contributed capital.

Depreciation of all exhaustible capital assets, including those acquired through intergovernmental grants externally restricted to capital acquisitions, is charged as an expense against operations. Accumulated depreciation is reported on the statement of net positions. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Structures and improvements	40 – 50 years
Equipment	5 – 20 years
Transmission, distribution and collection plants	15 – 40 years

Major additions and betterments are capitalized while expenditures for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations incurred.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(d) Assets, Liabilities and Net Position (Continued)

Net Position – Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets.
- Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

(e) Postemployment Benefits – The Utilities Board follows the provisions of Governmental Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” The Utilities Board elected to implement this standard on the prospective basis.

(f) Customer Advances for Construction – Customer advances for construction represents refundable receipts from developers.

(g) Compensated Absences – The Utilities Board recognizes the cost of vacation pay as it is earned. Employees are allowed to accumulate and carry over one to six weeks of unused vacation benefits. The maximum number of weeks permitted to be carried over is determined based on specified years of service requirements.

The cost of sick pay benefits is recognized when earned. Employees are allowed to accumulate an unlimited number of sick leave days. Accumulated sick leave benefits become fully vested upon the earlier of an employee’s death, attaining 15 years of continuing service, or reaching retirement. The maximum number of unused sick leave days for which employees shall be compensated is 142 days unless the employee uses sick leave for early retirement, in which case the maximum is 260 days.

(h) Pensions – The Utilities Board has a single-employer, contributory, defined benefit plan covering substantially all employees. The Utilities Board makes annual contributions to the plan based on actuarial calculations.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Lenoir City Utilities Board Pension Plan (“the Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(i) Long-Term Obligations – Long-term debt and other obligations are reported as Utilities Board liabilities. The Utilities Board does not engage in conduit debt transactions. The Utilities Board’s policy is to apply restricted assets to the required bond and interest payments as they become due.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)

- (j) Revenue Bonds – The Utility Board through the City of Lenoir City, Tennessee issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. In addition, from time to time, revenue bonds have been issued to refund other revenue bonds. Revenue bonds are obligations of the City and are payable primarily from and secured by a pledge of income and the revenues to be derived from the operation of the Utility Board's respective departments. Revenue bonds are generally issued for original terms of up to 25 years.
- (k) Direct Borrowing and Direct Placements – The Utility Boards through the City of Lenoir City, Tennessee issues other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund the capital facilities and other capital outlay purchases, such as equipment. Capital outlay notes and other loans are obligations of the City and are payable primarily from and secured by a pledge of income and the revenues to be derived from the operation of the Utility Board's respective departments. Capital outlay notes and other loans outstanding were issued for original terms of up to 25 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.
- (l) Taxes – Municipal utilities are exempt from federal and state income taxes.

(2) Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2021:

	<u>Power and Light Department</u>	<u>Gas Department</u>	<u>Water and Sewer Department</u>		<u>Total</u>
			<u>Water Division</u>	<u>Sewer Division</u>	
Cash on hand and in banks:					
Unrestricted	\$ 24,928,196	\$ 5,002,882	\$ 6,410,508	\$ 3,885,660	\$ 40,227,246
	<u>\$ 24,928,196</u>	<u>\$ 5,002,882</u>	<u>\$ 6,410,508</u>	<u>\$ 3,885,660</u>	<u>\$ 40,227,246</u>

Interest rates ranged from 0.00% to 0.70% at June 30, 2021.

At June 30, 2021, all cash and cash equivalents were insured by federal depository insurance and/or insured through the State of Tennessee Bank Collateral Pool. Investment policies of the Utilities Board follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. government.

(3) Due To/From Other Departments

Certain payments, billings and collections for all systems are performed by the Power and Light Department. Interdepartmental receivables and payables are utilized to account for these transfers and are eliminated in the process of combining departments.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(4) Capital Assets

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

	Balance June 30, 2020	Increases *	Decreases	Balance June 30, 2021
Capital assets, not being depreciated:				
Land and land rights	\$ 7,249,167	\$ 2,406,605	\$ 523,879	\$ 9,131,893
Construction work in progress	11,738,142	290,655	-	12,028,797
	<u>18,987,309</u>	<u>2,697,260</u>	<u>523,879</u>	<u>21,160,690</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Distribution plant	310,025,282	17,839,601	2,463,057	325,401,826
General plant	69,322,972	2,508,923	689,745	71,142,150
Nonutility assets	-	413,734	(585,934)	999,668
	<u>379,348,254</u>	<u>20,762,258</u>	<u>2,566,868</u>	<u>397,543,644</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Distribution plant	112,477,000	11,916,367	3,574,673	120,818,694
General plant	12,632,273	3,029,353	462,667	15,198,959
Nonutility assets	-	8,275	(190,277)	198,552
	<u>125,109,273</u>	<u>14,953,995</u>	<u>3,847,063</u>	<u>136,216,205</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>254,238,981</u>	<u>5,808,263</u>	<u>(1,280,195)</u>	<u>261,327,439</u>
Total capital assets, net	<u>\$ 273,226,290</u>	<u>\$ 8,505,523</u>	<u>\$ (756,316)</u>	<u>\$ 282,488,129</u>

*Total assets being depreciated and accumulated depreciation increased by \$5,174,694 and \$2,703,360, respectively, due to the absorption of Martel Utility District.

Depreciation expense was \$11,997,032 in 2021, not including \$253,603 of depreciation charged to clearing accounts.

(5) Long-Term Debt

All debt of the Utility Board is issued through the City of Lenoir City, Tennessee. The debt issues related to the Utility Board contain provisions that in the event of a default, outstanding amounts are to become immediately due if the Utility Board is unable to make a payment.

LENOIR CITY UTILITIES BOARD
Notes to Basic Financial Statements
(Continued)

(5) Long-Term Debt (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

<u>Bonds Payable</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Gas Revenue and Tax Bonds:					
Series 2011	\$ 618,000	\$ -	\$ 148,000	\$ 470,000	\$ 152,000
Tennessee Municipal Loan					
Bond Pool:					
Electric Revenue Bond					
Series 2015	8,333,333	-	8,333,333	-	-
Series 2020B	-	55,150,000	2,400,000	52,750,000	2,435,000
Series 2003 -					
Water	2,408,000	-	209,000	2,199,000	215,000
Sewer	385,000	-	92,000	293,000	69,000
Series 2005 -					
Sewer	858,000	-	73,000	785,000	76,000
Series 2008 -					
Water	3,788,000	-	153,000	3,635,000	160,000
Sewer	4,167,000	-	168,000	3,999,000	176,000
Series 2021A -					
Water	-	2,020,000	34,716	1,985,284	510,045
Series 2021B -					
Water	-	1,500,000	-	1,500,000	100,000
Series 2021C -					
Sewer	-	1,071,000	-	1,071,000	89,250
Series 2021D -					
Sewer	-	1,000,000	-	1,000,000	66,667
Total bonds payable	<u>20,557,333</u>	<u>60,741,000</u>	<u>11,611,049</u>	<u>69,687,284</u>	<u>4,048,962</u>
Direct Borrowings:					
Notes Payable					
Electric Department - Variable Rate					
Local Government Loan					
Program Loan					
Series 2016	22,479,000	-	22,479,000	-	-
Electric Department - Fixed Rate					
Local Government Loan					
Program Loan					
Series 2016	22,609,000	-	22,609,000	-	-
Gas Department - Capital					
Outlay Note					
Series 2021A	492,025	12,975	106,461	398,539	100,000
Gas Department - Capital					
Outlay Note					
Series 2021B	-	2,000,000	-	2,000,000	200,000

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(5) Long-Term Debt (Continued)

	June 30, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
Direct Borrowings (Continued):					
<u>Notes Payable (Continued)</u>					
Water Department - CNH Industrial Capital Note	\$ 85,861	\$ -	\$ 35,041	\$ 50,820	\$ 37,418
Water Department - Revenue Anticipation Note Series 2014	2,012,143	-	2,012,143	-	-
Water and Sewer Department - Water Division State Drinking Water Fund Loan (SDWF-2000-035)	74,663	-	27,132	47,531	47,531
Water and Sewer Department - Sewer Division State Revolving Loan (SRF96-095)	47,000	-	47,000	-	-
Water and Sewer Department - Sewer Division State Revolving Loan (SRF99-126)	53,549	-	27,255	26,294	26,294
Water and Sewer Department - Sewer Division State Revolving Loan (SRF2001-155)	219,853	-	47,088	172,765	48,823
Water and Sewer Department - Sewer Division State Revolving Loan (SRF2006-191)	546,774	-	58,080	488,694	59,016
Water and Sewer Department - Sewer Division State Revolving Loan (SRF2009-238)	1,070,695	-	75,794	994,901	79,104
Water and Sewer Department - Sewer Division State Revolving Loan (SRF2008-218)	6,936,271	-	566,640	6,369,631	575,028
Water and Sewer Department - Sewer Division State Revolving Loan (SRF2015-342)	1,698,320	-	82,344	1,615,976	83,448
Water and Sewer Department - Sewer Division State Revolving Loan (SRF2018-402)	1,035,052	-	49,344	985,708	49,956
Water and Sewer Department - CNH Industrial - Equipment Lease Liability Capital Note	62,691	-	17,800	44,891	18,974
Total notes payable	<u>59,424,917</u>	<u>2,012,975</u>	<u>48,240,122</u>	<u>13,197,770</u>	<u>1,325,592</u>
Total	79,982,250	62,753,975	59,851,171	82,885,054	5,374,554
Unamortized Premiums	-	<u>3,982,997</u>	-	<u>3,982,997</u>	-
Total	<u>\$ 79,982,250</u>	<u>\$ 66,736,972</u>	<u>\$ 59,851,171</u>	<u>\$ 86,868,051</u>	<u>\$ 5,374,554</u>

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(5) Long-Term Debt (Continued)

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

Bonds Payable

2.95% Gas Revenue and Tax Bonds, Series 2011, due in annual principal installments ranging from \$152,000 to \$161,000 through 2024.	\$ 470,000
Electric Revenue Bond Series, Series 2020B. Annual principal installments ranging from \$2,435,000 in 2022 to \$2,730,000 in 2041. Interest on this bond is fixed at 2% to 3%.	52,750,000
The Lenoir City Utilities Board Water and Sewer Department - Water Division has a Water Improvement Loan through the Tennessee Municipal Loan Bond Fund, Series 2003. The Water Improvement Loan is for a total of \$5,000,000. Annual principal installments range from \$215,000 in 2022 to \$276,000 in 2030. Interest on this bond is variable and the interest rate at June 30, 2021 was 0.22%.	2,199,000
The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$1,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2003. Annual principal installments range from \$69,000 in 2022 to \$3,000 in 2026. Interest on this bond is variable and the interest rate at June 30, 2021 was 0.22%.	293,000
The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$1,700,000 through the Tennessee Municipal Loan Bond Fund, Series 2005. Annual principal installments range from \$76,000 in 2022 to \$100,000 in 2030. Interest on this bond is variable and the interest rate at June 30, 2021 was 0.22%.	785,000
The Lenoir City Utilities Board Water and Sewer Department - Water Division borrowed \$5,000,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. Annual principal installments range from \$160,000 in 2022 to \$310,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2021 was 0.22%.	3,635,000
The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$5,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. Annual principal installments range from \$176,000 in 2022 to \$341,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2021 was 0.22%.	3,999,000

LENOIR CITY UTILITIES BOARD
Notes to Basic Financial Statements
(Continued)

(5) Long-Term Debt (Continued)

Bonds Payable (Continued)

Water Revenue Bond Series, Series 2021A. Annual principal installments range from \$510,045 in 2022 to \$465,239 in 2025. Interest on this bond is fixed at 1.39%	\$ 1,985,284
Water Revenue Bond Series, Series 2021B. Annual principal installments of \$100,000 are due through March 23, 2036. Interest on this bond is fixed at 1.69%	1,500,000
Sewer Revenue Bond Series, Series 2021C. Annual principal installments of \$89,250 are due through March 24, 2033. Interest on this bond is fixed at 1.79%	1,071,000
Sewer Revenue Bond Series, Series 2021D. Annual principal installments of \$66,667 are due through March 24, 2036. Interest on this bond is fixed at 1.69%	<u>1,000,000</u>
Total bonds payable	69,687,284
Less current installments	<u>4,048,962</u>
Total long-term debt, excluding current maturities	<u>65,638,322</u>

Notes Payable

Gas Department UCB Capital Outlay Note, due in annual principal installments of \$100,000 through 2023 and then \$198,539 in 2024. Interest on this note is fixed at 1.39%.	398,539
Gas Department UCB Capital Outlay Note, due in annual principal installments of \$200,000 through 2031. Interest on this note is fixed at 1.59%.	2,000,000
CNH Industrial Capital Note, payable in monthly principal and interest installments of \$3,339 through 2022. Interest on this note is variable and the rate at June 30, 2021 was 7.18%.	50,820
2.04% Water Department State Drinking Water Fund Loan, payable in monthly principal and interest installments of \$2,539 through 2022.	47,531
2.23% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$2,350 through 2022.	26,294
2.08% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$4,369 through 2024.	172,765

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(5) Long-Term Debt (Continued)Notes Payable (Continued)

1.60% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$5,534 through 2029.	\$ 488,694
2.88% CGA Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$8,927 through 2031.	994,901
1.47% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$55,400 through 2032.	6,369,631
1.33% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$8,703 through 2039.	1,615,976
1.24% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$5,158 through 2039.	985,708
CNH Industrial Capital Note, payable in monthly principal and interest installments of \$1,802 through 2023. Interest on this note is variable and the rate at June 30, 2021 was 7.00%.	<u>44,891</u>
Total notes payable	13,195,750
Less current maturities	<u>1,325,592</u>
	<u>11,870,158</u>
Total long-term debt, excluding current maturities	<u>\$ 77,508,480</u>

Future maturities of existing long-term debt are as follows:

	Bonds		Direct Borrowings and Direct Placements		Totals
	Principal	Interest	Principal	Interest	
2022	\$ 4,048,962	\$ 1,866,670	\$ 1,325,592	\$ 211,397	\$ 7,452,621
2023	4,119,917	1,753,312	1,242,113	184,917	7,300,259
2024	4,197,917	1,637,574	1,353,555	161,511	7,350,557
2025	4,066,156	1,519,383	1,087,784	138,345	6,811,668
2026	3,605,917	1,408,429	1,102,004	120,945	6,237,295
2027-2031	18,866,585	5,320,748	5,677,275	339,086	30,203,694
2032-2036	16,880,830	2,650,454	1,000,255	52,911	20,584,450
2037-2041	13,901,000	842,840	407,172	6,826	15,157,838
	<u>\$ 69,687,284</u>	<u>\$ 16,999,410</u>	<u>\$ 13,195,750</u>	<u>\$ 1,215,938</u>	<u>\$ 101,098,382</u>

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(6) Accrued Expenses

Accrued expenses consisted of the following:

Compensated absences – sick leave	\$3,880,819
Compensated absences – vacation leave	1,041,517
Other	<u>568,325</u>
	<u>\$5,490,661</u>

(7) Power Contract

The Power and Light Department has a contract to purchase all of its electric power from the Tennessee Valley Authority, subject to certain restrictions and conditions as provided in the contract.

(8) Retirement Plan**Lenoir City Utilities Board Pension Plan**General Information about the Pension Plan

Plan Description. Lenoir City Utilities Board Pension Plan (the Plan), provides pensions for all eligible employees of Lenoir City Utilities Board. The Board administers the Plan and establishes and amends all plan provisions. The Plan issues a publicly available financial report than can be obtained upon request at the Utilities Board's office. The Plan is a single-employer plan. However, in these stand-alone departmental financial statements, the Utilities Board has applied the cost-sharing employer requirements of GASB Statement No. 68.

Benefits provided. The Plan provides retirement, disability and death benefits for all full time employees who are 18 years of age, have completed twelve months of service and have an agreement in writing to make required contributions. The eligible employee will become a participant effective the first day of the month following on which the employee meets the eligibility requirements. The normal retirement date is the first day of the month coinciding with or next following attainment of age 64 or 34 years of service, whichever is earlier. The monthly normal retirement benefit for the Plan participants is calculated as fifty percent of average compensation adjusted for years of service less than 15 years. The normal form of benefit paid is a 10 year certain and continuous annuity for single participants, actuarially equivalent joint & 50% survivor annuity for married participants. Early retirement age is the date the participant has both attained age 50 and with ten years of credited service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit. Benefit terms do provide up to 3.0% cost-of-living adjustments based on the CPI for Urban Consumers. This applies only to individuals who choose a monthly benefit in lieu of lump sum distribution. Participants hired after August 31, 2011 are not eligible to receive a lump sum of their total benefits.

Employees covered by benefit terms. Below is a reconciliation of participants from July 1, 2019 to June 30, 2020:

		Active	Deferred Vested	Retired	Beneficiaries	Total
7/1/2019	Participants	142	20	1	1	164
	New Participants	7				7
	Vested Terminations	(4)	4			0
	Nonvested Terminations					0
	Rehires					0
	Lump Sum Payments	(2)	(1)			(3)
	Retired					0
	Deceased					0
	Beneficiaries					0
	Data Corrections					0
6/30/2020	Participants	143	23	1	1	168

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(8) Retirement Plan (Continued)**Lenoir City Utilities Board Pension Plan (Continued)**General Information about the Pension Plan (Continued)

Contributions. The Utilities Board has the authority to establish and amend the contribution requirements of the Departments. The Utilities Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, the Utilities Board's average contribution rate was 7.2%. Contributions to the Plan from the Utilities Board were \$778,578 for the year ended June 30, 2021.

Net Pension Liability

At June 30, 2021, the Utilities Board reported a liability of \$1,449,777 for the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For the year ended June 30, 2021, the Utilities Board recognized pension expense of \$1,293,838.

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	2.00 percent per annum
Salary increases	3.00 percent per annum
Investment rate of return	7.00 percent per annum

Mortality rates were based on the Mortality Table Pri-2012 Blue Collar with Mortality Improvement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2014 through July 1, 2019.

The long-term expected rate of return on pension plan investments was determined using a modified 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 forward-looking rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity — Small Cap	7.56%
Domestic Equity — Large Cap	7.06%
Domestic Equity — Mid Cap	7.56%
International Equity	7.48%
International Equity — Emerging Markets	8.42%
Fixed Income	3.56%
Cash	2.25%

LENOIR CITY UTILITIES BOARD
Notes to Basic Financial Statements
(Continued)

(8) Retirement Plan (Continued)

Lenoir City Utilities Board Pension Plan (Continued)

Net Pension Liability (Continued)

Discount Rate

7.00% per annum, compounded annually

Paragraph 43 of Statement No. 67 provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments and investment earnings. The annual recommended contribution is based on the Entry Age Normal Funding Method where the contribution is equal to the normal cost plus the 30-year closed amortization of the unfunded liabilities. The discount rate utilized assumes that employee contributions will be made at the current applicable rate and that contributions from the employer will be made at the actuarial determined contribution rate pursuant to an actuarial valuation in accordance with the pension funding policy of Lenoir City Utilities Board and as required to be paid by state statute. Based on these assumptions and the actuarial methodology adopted, the employer's fiduciary net position is expected to remain positive and to be available to make projected future benefit payments of current active and inactive members and to cover administration expenses. 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.

Historically, participants have elected a lump sum distribution. The discount rate to determine the lump sum value is 4.0% which is set in the plan document. Therefore, the lump sum distributions are being discounted at 7.0%. For participants hired after September 1, 2011, the lump sum distribution option is not available.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Beginning balance	\$34,818,945	\$31,782,590	\$ 3,036,355
Changes for the year:			
Service cost	819,689	-	819,689
Interest expense	2,414,041	-	2,414,041
Difference between expected and actual experience	81,879	-	81,879
Changes of assumptions	(2,053,720)	-	(2,053,720)
Contributions - employer	-	845,504	(845,504)
Contributions - employee	-	270,387	(270,387)
Net investment income	-	1,852,210	(1,852,210)
Benefits paid	(2,304,659)	(2,304,659)	-
Plan administrative expenses	-	(119,634)	119,634
Net changes	<u>(1,042,770)</u>	<u>543,808</u>	<u>(1,586,578)</u>
Ending balance	<u>\$33,776,175</u>	<u>\$32,326,398</u>	<u>\$ 1,449,777</u>

Note: June 30, 2020 is the measurement date and the reporting date is June 30, 2021.

LENOIR CITY UTILITIES BOARD
Notes to Basic Financial Statements
(Continued)

(8) Retirement Plan (Continued)

Lenoir City Utilities Board Pension Plan (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
Net Pension Liability	\$ 4,167,983	\$ 1,449,777	\$ (977,749)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	<u>Fiscal Year Ending</u> <u>June 30, 2021</u>
Service cost	\$ 819,689
Interest	2,414,041
Benefit changes	
Contributions--members	(270,387)
Expected investment return	(2,178,987)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of economic/demographic gains or losses	412,685
Recognition of investment gains or losses	8,034
Recognition of assumption changes or inputs	(30,871)
Plan administrative expenses	119,634
Pension Expense	\$ 1,293,838

At June 30, 2021, the Utilities Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ 1,775,134	\$ 236,730
Net difference between projected and actual earnings	375,783	356,942
Changes of assumptions	523,503	1,848,348
Contributions made subsequent to measurement date	778,578	-
	<u>\$ 3,452,998</u>	<u>\$ 2,442,020</u>

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(8) Retirement Plan (Continued)**Lenoir City Utilities Board Pension Plan (Continued)****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$778,578 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 162,460
2023	451,178
2024	457,964
2025	104,969
2026	(155,435)
Thereafter	(788,736)

(9) Risk Management

The Utilities Board 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 Utilities Board purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three year fiscal years.

(10) Other Postemployment Benefits (OPEB)General Information About the OPEB Plan

Postemployment health care and life insurance benefits are available to permanent full-time employees of the Utilities Board. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare. Life insurance benefits are reduced to \$1,000 after retirement.

Plan description

The Lenoir City Utilities Board Retiree Medical and Life Insurance Plan (LCUBRMLIP) is a single-employer defined benefit healthcare plan administered by the Lenoir City Utilities Board. LCUBRMLIP provides medical and life insurance benefits to eligible retirees and their spouses. The Utilities Board has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

Postemployment health care and life insurance benefits are available to permanent full-time employees of the Utilities Board. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare. Life insurance benefits are reduced to \$1,000 after retirement.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(10) Other Postemployment Benefits (OPEB) (Continued)Summary of Participant Data

The actives shown as eligible (both covered and eligible and not covered and eligible) in the tables below are the only actives assumed to be receiving benefits at some point in the future in the valuation. Covered and ineligible actives are currently covered on the group medical plan, but are not eligible for retirement benefits.

Number of Participants		
Actives (covered & eligible)		67
Actives (covered & ineligible)		80
Retirees		3
Annual Projected Payroll	\$	10,123,795
Average Projected Earnings	\$	-

Summary of Plan Provisions*Life Insurance*

Lenoir City Utilities Board provides a life insurance benefit to eligible employees at retirement. The life insurance amount is \$25,000, but decreases to \$10,000 upon the retiree's attainment of age 65, and decreases to \$5,000 upon the retiree's attainment of age 70. Life insurance benefits are not provided to retirees over the age of 75. This coverage is provided to the employee at no cost.

Plan Participation

100% of future eligible retirees are assumed to elect medical coverage upon retirement. 75% are assumed to elect coverage for a spouse.

Dependent Coverage

We have assumed that 75% of all future retirees will elect spousal coverage. For active participants, female spouses are assumed to be two years younger than males. For retired participants, actual spouse dates of birth were used. These assumptions are based on the actual census data provided. Actual spouse data was used for current retirees. Spouses and surviving spouses are provided the same coverage as employees.

Expected Long-Term Rate of Return on Plan Assets

Not applicable

Actuarial Valuation Methods

Entry Age Normal

Asset Valuation Method

Not applicable

Valuation Date

July 1, 2020

LENOIR CITY UTILITIES BOARD
Notes to Basic Financial Statements
(Continued)

(10) Other Postemployment Benefits (OPEB) (Continued)

Summary of Plan Provisions (Continued)

Funding Policy

The benefits of the postretirement medical plan are funded on a pay-as-you-go basis. The company funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement medical benefits.

Benefit Eligibility – Medical and Life

Attained age 64, 34 years of service, or attained age 50 with 10 years of service.

Medical Benefits – Coordination with Medicare

Benefits for retirees under age 65 are deemed to be similar to those benefits provided for actives. The retiree medical plan is assumed to be the primary plan for benefits prior to age 65. Upon attainment of age 65 or receipt of Medicare benefits, whichever comes first, coverage ceases.

Amortization Method

Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 7 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Legislative Changes

The anticipated excise tax has been repealed and is no longer valued.

Net OPEB Liability

At June 30, 2021, the Utilities Board reported a liability of \$4,484,746 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial assumptions - The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(10) Other Postemployment Benefits (OPEB) (Continued)Net OPEB Liability (Continued)

Inflation	2.50 percent
Salary Increases	3.00 percent per annum
Healthcare costs trend rates	7.50 percent on 2021 graded down to 6.00 percent in 2022; graded down to the Getzen model
Retiree's share of benefit-related costs	Members are not 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.

Discount rate – The discount rate used to measure the total OPEB liability was 2.66 percent. The discount rate is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2020.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Beginning balance*	\$ 8,192,735	\$ -	\$ 8,192,735
Changes for the year:			
Service cost	523,903	-	523,903
Interest expense	257,109	-	257,109
Benefit changes	-	-	-
Difference between expected and actual experience losses (gains)	(2,779,808)	-	(2,779,808)
Changes of assumptions	(1,620,390)	-	(1,620,390)
Contributions--Employer	-	88,803	(88,803)
Contributions--Members	-	-	-
Net investment income	-	-	-
Refunds of contributions	-	-	-
Benefits paid	(88,803)	(88,803)	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	(3,707,989)	-	(3,707,989)
Ending balance*	\$ 4,484,746	\$ -	\$ 4,484,746

* June 30, 2020 is the measurement date and the reporting date is June 30, 2021

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(10) Other Postemployment Benefits (OPEB) (Continued)Determination of Net OPEB Liability

The components of the net OPEB liability at the June 30, 2020 measurement date were as follows:

Total OPEB Liability	\$ 4,484,746
Plan Fiduciary Net Position	<u>0</u>
Net OPEB Liability	<u>\$ 4,484,746</u>

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability calculated using the stated health care cost trend assumptions, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

	1% Decrease (6.50% decreasing to 5.00%) over 3 years	Healthcare Cost Trend Rate (7.50% decreasing to 6.00%) over 3 years	1% Increase (8.50% decreasing to 7.00%) over 3 years
Net OPEB Liability	\$ 4,051,530	\$ 4,484,746	\$ 4,985,971

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the stated rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Net OPEB Liability	\$ 4,760,976	\$ 4,484,746	\$ 4,209,743

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

For the fiscal year ended June 30, 2021, the Utilities Board recognized OPEB expense of (\$82,453) and deferred outflows of resources and deferred inflows of resources in relation to benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience losses (gains) - June 30, 2021	\$ -	\$ 4,406,264
Changes of assumptions	<u>1,084,105</u>	<u>1,388,906</u>
Total	<u>\$ 1,084,105</u>	<u>\$ 5,795,170</u>

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(10) Other Postemployment Benefits (OPEB) (Continued)OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2020 measurement date will be recognized in OPEB expense as follows:

For the year ended June 30:

2022	\$ (863,465)
2023	(863,465)
2024	(863,465)
2025	(863,467)
2026	(628,599)
Thereafter	(628,604)

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

GASB Statement No. 75 requires contributions between the measurement date (June 30, 2020) and the disclosure date (June 30, 2021) for Statement No. 75 to be reported as a deferred outflow of resources.

Schedule of Changes in Deferred Outflows/Inflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balances--at June 30, 2020*	<u>\$ 1,507,787</u>	<u>\$ 2,529,464</u>
Changes for the year:		
Post-measurement contribution	88,803	0
Experience losses (gains)	(152,655)	2,382,693
Changes of assumptions	0	1,388,906
Asset losses (gains)	0	0
Amortization of gains/losses	<u>(271,027)</u>	<u>(505,893)</u>
Net changes	<u>(334,879)</u>	<u>3,265,706</u>
Balances--at June 30, 2021*	<u>\$ 1,172,908</u>	<u>\$ 5,795,170</u>

* Deferred OPEB outflows include deferred losses of \$1,084,105 plus expected contributions of \$88,803.

(11) Lease CommitmentsJoint Utilization

The Power and Light Department rents various transmission lines and other equipment from TVA on a month-to-month basis at a cost of \$1,333 per month. Total rental expenses applicable to such lines and equipment amounted to \$16,000 in 2021.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(11) Lease Commitments (Continued)Joint Utilization (Continued)

Certain short-term arrangements provide for the Power and Light Department's joint utilization of other local utilities' distribution facilities in its system. Other similar agreements provide for the joint use of the Power and Light Department's distribution facilities by other utilities and certain customers. Rental revenues from the above-mentioned arrangements amounted to \$1,203,687 in 2021. Rental expense applicable to such agreements amounted to \$142,015 in 2021.

Fire Hall

During the year, the Utility Board began a lease with the City of Lenoir City for the Fire Department to use the building at 206 East Depot Street. The terms of the lease are annual rent of \$30,000 through June 30, 2050 with two five year renewals.

(12) Segment Information

The following departmental information is shown as of and for the year ended June 30, 2021:

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Assets:				
Current assets	\$ 48,567,644	\$ 5,622,460	\$ 7,783,854	\$ 4,945,516
Capital assets	214,332,275	9,572,982	23,087,555	35,495,317
Other assets	345,452	-	-	-
Total assets	\$ 263,245,371	\$ 15,195,442	\$ 30,871,409	\$ 40,440,833
Deferred outflows of resources	\$ 3,918,470	\$ 298,826	\$ 341,516	\$ 256,138
Liabilities:				
Current liabilities payable from current assets	\$ 42,445,940	\$ 988,991	\$ 1,577,439	\$ 2,066,692
Due to other departments payable from current assets	(1,274,184)	(1,545,929)	3,499,979	(679,866)
Current liabilities payable from restricted assets	-	-	-	1,533
Long-term debt, excluding current maturities	54,297,997	2,416,539	8,347,641	16,429,300
Net pension liability	1,145,325	101,484	115,982	86,986
Other liabilities	3,933,575	313,932	358,780	281,071
Total liabilities	\$ 100,548,653	\$ 2,275,017	\$ 13,899,821	\$ 18,185,716
Deferred inflows of resources	\$ 6,225,396	\$ 551,617	\$ 630,420	\$ 472,815
Net position:				
Net investment in capital assets	\$ 157,599,278	\$ 6,704,443	\$ 13,669,920	\$ 17,648,457
Unrestricted	2,790,514	5,963,191	3,012,764	4,389,983
	\$ 160,389,792	\$ 12,667,634	\$ 16,682,684	\$ 22,038,440

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(12) Segment Information (Continued)

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Operating revenues	\$ 172,925,559	\$ 5,004,690	\$ 5,782,072	\$ 4,498,696
Operating expenses:				
Purchasing energy	126,860,056	2,014,452	-	-
Distribution and treatment	7,032,458	427,042	2,186,533	782,414
Customer account services	3,344,216	172,902	375,079	95,265
Administration and general	4,210,275	360,651	459,525	553,705
Maintenance	6,010,909	527,430	738,754	1,211,551
Depreciation	9,395,199	522,025	904,904	1,174,904
	<u>156,853,113</u>	<u>4,024,502</u>	<u>4,664,795</u>	<u>3,817,839</u>
Operating income	<u>16,072,446</u>	<u>980,188</u>	<u>1,117,277</u>	<u>680,857</u>
Non-operating revenues (expenses):				
Interest income	77,435	31,559	9,252	13,816
Interest expense	(1,269,478)	(25,314)	(88,794)	(237,865)
Amortization of debt expense	(20,734)	(9,128)	(12,826)	(7,546)
Gain on disposal	(53,844)	-	8,288	-
Other	73,346	-	-	-
	<u>(1,193,275)</u>	<u>(2,883)</u>	<u>(84,080)</u>	<u>(231,595)</u>
Income before contributions and transfers	14,879,171	977,305	1,033,197	449,262
Transfers to local government - in lieu of tax	<u>(3,729,372)</u>	<u>(182,507)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>11,149,799</u>	<u>794,798</u>	<u>1,033,197</u>	<u>449,262</u>
Net position, beginning, as previously stated	149,239,993	11,872,836	12,435,024	21,589,178
Martel Utility District - Absorption	<u>-</u>	<u>-</u>	<u>3,214,463</u>	<u>-</u>
Net position, beginning, as restated	<u>149,239,993</u>	<u>11,872,836</u>	<u>15,649,487</u>	<u>21,589,178</u>
Net position, ending	<u>\$ 160,389,792</u>	<u>\$ 12,667,634</u>	<u>\$ 16,682,684</u>	<u>\$ 22,038,440</u>
Net cash provided by operating activities	\$ 27,797,494	\$ 1,487,223	\$ 1,626,996	\$ 1,849,229
Net cash provided (used) by noncapital and related financing activities	(3,727,396)	(182,507)	743,129	-
Net cash provided (used) by capital and related financing activities	(11,671,470)	859,867	(332,378)	(2,591,588)
Net cash provided (used) by investing activities	<u>48,873</u>	<u>(1,965,498)</u>	<u>3,043,951</u>	<u>(958,364)</u>
Net increase (decrease) in cash and cash equivalents	12,447,501	199,085	5,081,698	(1,700,723)
Cash and cash equivalents, beginning of year	<u>12,480,695</u>	<u>4,803,797</u>	<u>1,328,810</u>	<u>5,586,383</u>
Cash and cash equivalents, end of year	<u>\$ 24,928,196</u>	<u>\$ 5,002,882</u>	<u>\$ 6,410,508</u>	<u>\$ 3,885,660</u>

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(13) Prepaid Expenses

Prepaid expenses consisted of the following at June 30, 2021:

	Power and Light Department	Gas Department	Water and Sewer Department		Totals
			Water Division	Sewer Division	
Prepaid insurance and postage	\$ 865,423	\$ 71,355	\$ 94,444	\$ 61,161	\$ 1,092,383
Prepaid natural gas in storage	-	115,941	-	-	115,941
	<u>\$ 865,423</u>	<u>\$ 187,296</u>	<u>\$ 94,444</u>	<u>\$ 61,161</u>	<u>\$ 1,208,324</u>

(14) Tennessee Valley Authority's Energy Right Program

The Power and Light Department is participating in Tennessee Valley Authority's (TVA) Energy Right Program, which provides loans to the Power and Light Department's residential customers for heat pumps.

(15) Concentration of Risk

Approximately 53% of the Power and Light Department's plant is located in Knox County, Tennessee.

(16) Contingency

The Power and Light Department has a substantial amount of its electrical distributions system in Knox County, Tennessee. In prior years, Knoxville Utilities Board (KUB) has acquired a portion of the System which was annexed by the City of Knoxville. Current state law requires that LCUB be compensated at appraised fair market value by KUB for any electrical distribution equipment and services annexed and acquired by the City of Knoxville. As of June 30, 2021, LCUB has approximately \$7,500,000 of net utility plant inside the present city limits of Knoxville and approximately \$110,000,000 in Knox County outside the present city limits of Knoxville which could possibly be transferred to KUB in future years at appraised fair market value.

(17) Data Center

The Utilities Board has constructed a data center in the lower level of the new operations center located at 7698 Creekwood Park Boulevard, Lenoir City, Tennessee 37772. The purpose of the data center is two-fold. The main purpose was to construct a data center that is Tier 3 inspired data center for the housing and calculation, storage and security of the Utility Board's operational data. Given that the Utility Board has a robust fiber optic ring located in the Utility Board's territory that is connected to the Utility Board's data center, the Utility Board is preparing for the electrical system of the future. Secondly, the Utility Board could possibly create another revenue stream with potential co-location of private data.

The data center is still under construction. During the interim, the Utility Board decided to secure an operator of the data center (SH Data Centers, LLC) in order to secure private tenants and to operate the data center for the Utility Board. One of the main objectives securing an operator was to also insulate the Utility Board from potential legal exposure for the "private" side of the business.

LENOIR CITY UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(17) Data Center (Continued)

A lease has been signed by both parties, the Utility Board and SH Technologies. We have discovered, however, that some issues in the lease were not contemplated in the lease at the time of execution which has led to negative operational results currently. The lease is currently being revised through further negotiations to eliminate the negative operating results.

Most importantly, while construction is on-going, the tenant/operator has suspended the leasing of space in the data center. The Utility Board is in negotiations to relieve SH Technologies of their oversight responsibility, while also negotiating with current tenants to come into privity of contract with the Utility Board. The Utility Board acknowledges the return for the rate payers is not being fully realized at this time, but once construction is completed and the lease has been executed with the tenants, the data center will be a very good addition to the rate payer's portfolio.

(18) Martel Utility District Consolidation

Martel Utility District (MUD) was consolidated into the City of Lenoir City municipal water department through order of the Loudon County Mayor on July 31, 2020 as a department of Lenoir City (independent of LCUB).

Further action was taken by the City of Lenoir City to consolidate the newly formed water department of Lenoir City, formerly known as MUD, into the water department of LCUB. LCUB now owns and operates the former MUD system.

In accordance with Tennessee State Law, a two-member advisory board for the former district was also appointed that will have reporting duties to the LCUB Board.

Lenoir City Utility Board's total net assets increased by \$3,214,463 as a result of the MUD consolidation.

(19) Litigation

From time to time there are lawsuits filed against the Lenoir City Utilities Board; however, management intends to vigorously defend any complaints.

(20) Subsequent Events

Management has evaluated subsequent events through March 4, 2022 which is the date these financial statements were available for distribution.

REQUIRED SUPPLEMENTARY INFORMATION

LENOIR CITY UTILITIES BOARD

Schedule of Changes in the Net OPEB Liability and Related Ratios

For the Last 10 Measurement Periods Ended on June 30,

(Dollar amounts in millions)

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 523,903	\$ 498,193	\$ 420,442	\$ 467,078
Interest	257,109	237,079	291,543	231,883
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,779,808)	-	(3,541,250)	-
Changes of assumptions	(1,620,390)	-	1,897,186	-
Benefit Payments / Refunds	(88,803)	(152,655)	(142,005)	(208,484)
Net Change in Total OPEB Liability	(3,707,989)	582,617	(1,074,084)	490,477
Total OPEB Liability - Beginning	8,192,735	7,610,118	8,684,202	8,193,725
Total OPEB Liability - Ending (a)	<u>\$ 4,484,746</u>	<u>\$ 8,192,735</u>	<u>\$ 7,610,118</u>	<u>\$ 8,684,202</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 88,803	\$ 152,655	\$ 142,005	\$ 208,484
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit Payments / Refunds	(88,803)	(152,655)	(142,005)	(208,484)
Administrative expenses	-	-	-	-
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 4,484,746</u>	<u>\$ 8,192,735</u>	<u>\$ 7,610,118</u>	<u>\$ 8,684,202</u>
Plan Fiduciary Net Position as a % of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%
Covered payroll	\$ 10,123,795	\$ 9,868,254	\$ 9,534,545	\$ 8,594,065
Net OPEB Liability as a % of covered payroll	44.3%	83.0%	79.8%	101.0%

Notes to Schedule - No assets are accumulated in a trust for this Plan. See Description of Plan for notes regarding benefit changes. See Summary of Actuarial Assumptions and Methods for notes regarding changes in assumptions.

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

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Last 10 Measurement Periods Ended on June 30,

(Dollar amounts in millions)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 819,689	\$ 762,433	\$ 688,715	\$ 674,028	\$ 638,809	\$ 545,091	\$ 526,356
Interest	2,414,041	2,265,533	2,131,958	1,912,526	1,786,181	1,574,441	1,475,134
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	81,879	623,666	(378,769)	1,560,391	910,956	238,525	245,933
Changes of assumptions	(2,053,720)	-	-	-	-	1,570,506	-
Benefit Payments / Refunds	(2,304,659)	(870,032)	(344,775)	(1,708,999)	(1,423,487)	(571,342)	(1,123,643)
Net Change in Total Pension Liability	(1,042,770)	2,781,600	2,097,129	2,437,946	1,912,459	3,357,221	1,123,780
Total Pension Liability - Beginning	34,818,945	32,037,345	29,940,216	27,502,270	25,589,811	22,232,590	21,108,810
Total Pension Liability - Ending (a)	<u>\$ 33,776,175</u>	<u>\$ 34,818,945</u>	<u>\$ 32,037,345</u>	<u>\$ 29,940,216</u>	<u>\$ 27,502,270</u>	<u>\$ 25,589,811</u>	<u>\$ 22,232,590</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 845,504	\$ 845,504	\$ 2,055,426	\$ 2,740,868	\$ 2,735,405	\$ 2,512,188	\$ 2,740,568
Contributions - employee	270,387	273,829	265,879	254,702	254,283	240,870	221,137
Net investment income	1,852,210	1,896,802	2,045,012	3,001,244	306,067	609,169	2,399,745
Benefit Payments / Refunds	(2,304,659)	(870,032)	(344,775)	(1,708,999)	(1,423,487)	(571,342)	(1,123,643)
Administrative expenses	(119,634)	(117,926)	(113,499)	(100,678)	(88,614)	(80,174)	(69,773)
Other	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	543,808	2,028,177	3,908,043	4,187,137	1,783,654	2,710,711	4,168,034
Plan Fiduciary Net Position - Beginning	31,782,590	29,754,413	25,846,370	21,659,233	19,875,579	17,164,868	12,996,834
Plan Fiduciary Net Position - Ending (b)	<u>\$ 32,326,398</u>	<u>\$ 31,782,590</u>	<u>\$ 29,754,413</u>	<u>\$ 25,846,370</u>	<u>\$ 21,659,233</u>	<u>\$ 19,875,579</u>	<u>\$ 17,164,868</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,449,777</u>	<u>\$ 3,036,355</u>	<u>\$ 2,282,932</u>	<u>\$ 4,093,846</u>	<u>\$ 5,843,037</u>	<u>\$ 5,714,232</u>	<u>\$ 5,067,722</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	95.7%	91.3%	92.9%	86.3%	78.8%	77.7%	77.2%
Covered payroll	\$ 9,923,461	\$ 9,563,933	\$ 9,776,593	\$ 8,925,064	\$ 8,217,789	\$ 7,999,141	\$ 7,375,271
Net Pension Liability as a % of covered payroll	14.6%	31.7%	23.4%	45.9%	71.1%	71.4%	68.7%

Notes to Schedule - See Description of Plan for notes regarding benefit changes. See Summary of Actuarial Assumptions and Methods for notes regarding changes in assumptions.

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

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Schedule of Board Contributions - Pension Plan

Last 10 Measurement Periods (Only applicable after 2014)**

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 719,813	\$ 815,719	\$ 845,504	\$ 976,659	\$ 1,016,575	\$ 1,048,344	\$ 978,343	\$ 1,178,967
Contributions in relation to the actuarially determined contribution	778,578	845,504	845,504	2,055,426	2,740,868	2,735,405	2,512,188	2,740,568
Contribution deficiency (excess)	<u>\$ (58,765)</u>	<u>\$ (29,785)</u>	<u>\$ -</u>	<u>\$ (1,078,767)</u>	<u>\$ (1,724,293)</u>	<u>\$ (1,687,061)</u>	<u>\$ (1,533,845)</u>	<u>\$ (1,561,601)</u>
Covered payroll	\$ 10,778,641	\$ 9,923,461	\$ 9,563,933	\$ 9,776,593	\$ 8,925,064	\$ 8,217,789	\$ 7,999,141	\$ 7,375,271
Contributions as a percentage of covered payroll	7.2%	8.5%	8.8%	21.0%	30.7%	33.3%	31.4%	37.2%

Notes to ScheduleValuation date:

Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July 1).

Methods and assumptions used to determine contribution rates:*

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar
Remaining amortization period:	Investment gains and losses - 5 years. Experience gains and losses - average working lifetime of all participants.
Asset valuation method:	Fair Market Value
Inflation:	2.00%
Salary increases:	3.00%
Investment rate of return:	7.00% per annum.
Retirement age:	64
Mortality:	Mortality Table Pri-2012 Blue Collar with Mortality Improvement

* This is a summary of the methods and assumptions for the 7/1/2019 to 6/30/2020 plan year. Please refer to prior funding valuations for the assumptions used to develop earlier contribution rates.

** The required 10 year trend information will be completed when the information is compiled. The years for which information was available are presented.

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
Schedule of Investment Returns - Pension Plan
Last 10 Measurement Periods (Only applicable after 2014)*

Measurement period ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.02%	6.34%	7.68%	13.61%	1.49%	3.43%	16.76%

* The required 10 year trend information will be completed when the information is compiled. The years for which information was available are presented.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

LENOIR CITY UTILITIES BOARD

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Awards:					
Pass-through Funding:					
None				\$ -	\$ -
Total Federal Awards					-
State Awards:					
None					-
Total State Awards					-
Total Federal and State Awards					\$ -

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2021

Note A – Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state award activity of Lenoir City Utilities Board under programs of the federal and state governments for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Lenoir City Utilities Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lenoir City Utilities Board.

Note B – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Lenoir City Utilities Board has not elected to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

Note C – Outstanding Loans

Lenoir City Utilities Board had the following loan funding balance, loan repayments, and loan balances outstanding at June 30, 2021. These loan funding balances are also included in the federal expenditures presented in the Schedule.

Name of Program/Loan	Grantor Agency	Program Identification or Contract Number	CFDA Number	FY 2021 Loan Funding	FY 2021 Loan Repayments	FY 2021 Loan Balances
Federal Loans:						
ARRA - Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	CGA 2009-238	66.458	\$ -	\$ 9,740	\$ 127,845
Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	SRF 2015-342	66.458	-	23,548	462,134
Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	SRF 2018-402	66.458	-	8,805	175,888
Total Federal Loans				-	42,093	765,867
State Loans:						
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	CGA 2009-238	N/A	-	66,054	867,056
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 96-095	N/A	-	47,000	-
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 99-126	N/A	-	27,255	26,294
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SDWF 2000-035	N/A	-	27,132	47,531
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2001-155	N/A	-	47,088	172,765
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2006-191	N/A	-	58,080	488,694
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2008-218	N/A	-	566,640	6,369,631
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2015-342	N/A	-	58,796	1,153,842
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2018-402	N/A	-	40,539	809,820
Total State Loans				-	938,584	9,935,633
Total Federal and State Loans				\$ -	\$ 980,677	\$ 10,701,500

LENOIR CITY UTILITIES BOARD
Combining Statement of Net Position
June 30, 2021

<u>Assets</u>	<u>Power and Light Department</u>	<u>Gas Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
Current assets:				
Cash on hand and in banks	\$ 24,928,196	\$ 5,002,882	\$ 10,296,168	\$ 40,227,246
Receivables:				
Customers, less allowance for doubtful accounts of \$1,327,083	12,531,275	210,443	998,829	13,740,547
Unbilled revenue	7,157,378	123,094	678,150	7,958,622
Other	1,315,511	32,790	435,864	1,784,165
Materials and supplies inventory	1,769,861	65,955	164,754	2,000,570
Prepaid expenses	865,423	187,296	155,605	1,208,324
Total current assets	48,567,644	5,622,460	12,729,370	66,919,474
Capital assets	307,473,055	19,572,116	91,659,163	418,704,334
Less accumulated depreciation	93,140,780	9,999,134	33,076,291	136,216,205
Net capital assets	214,332,275	9,572,982	58,582,872	282,488,129
Receivable - Tennessee Valley Authority Residential Energy Services Program	345,452	-	-	345,452
Total assets	263,245,371	15,195,442	71,312,242	349,753,055
<u>Deferred Outflows of Resources</u>				
Deferred debt expense	545,986	-	-	545,986
Differences between projected and actual earnings on pension plan investments	14,884	1,319	2,638	18,841
Pension contributions subsequent to the measurement date	615,077	54,500	109,001	778,578
OPEB contributions subsequent to the measurement date	70,155	6,216	12,432	88,803
Differences between expected and actual experience - pension	1,402,356	124,259	248,519	1,775,134
Changes of assumptions - Pension	413,568	36,645	73,290	523,503
Changes of assumptions - OPEB	856,444	75,887	151,774	1,084,105
Total deferred outflows of resources	3,918,470	298,826	597,654	4,814,950

(Continued)

LENOIR CITY UTILITIES BOARD
Combining Statement of Net Position
(Continued)
June 30, 2021

<u>Liabilities</u>	<u>Power and Light Department</u>	<u>Gas Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
Current liabilities (payable from current assets):				
Current maturities of long-term debt	\$ 2,435,000	\$ 452,000	\$ 2,487,554	\$ 5,374,554
Accounts payable:				
Trade	26,002,112	188,113	425,377	26,615,602
Due to other departments	(1,274,184)	(1,545,929)	2,820,113	-
Retainage	21,105	-	-	21,105
Accrued liabilities	4,443,866	348,878	697,917	5,490,661
Customer deposits	7,890,051	-	33,283	7,923,334
Customer advances for construction	1,653,806	-	-	1,653,806
Total current liabilities (payable from current assets)	<u>41,171,756</u>	<u>(556,938)</u>	<u>6,464,244</u>	<u>47,079,062</u>
Current liabilities (payable from restricted assets):				
Matured interest payable	-	-	1,533	1,533
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>1,533</u>	<u>1,533</u>
Total current liabilities	<u>41,171,756</u>	<u>(556,938)</u>	<u>6,465,777</u>	<u>47,080,595</u>
Noncurrent liabilities:				
Long-term debt, excluding current maturities	54,297,997	2,416,539	24,776,941	81,491,477
Other	-	-	11,986	11,986
Net OPEB liability	3,542,949	313,932	627,865	4,484,746
Advances from Tennessee Valley Authority				
Residential Energy Services Program	390,626	-	-	390,626
Net pension liability	1,145,325	101,484	202,968	1,449,777
Total noncurrent liabilities	<u>59,376,897</u>	<u>2,831,955</u>	<u>25,619,760</u>	<u>87,828,612</u>
Total liabilities	<u>100,548,653</u>	<u>2,275,017</u>	<u>32,085,537</u>	<u>134,909,207</u>
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience - pension	187,017	16,571	33,142	236,730
Changes of assumptions - pension	1,460,195	129,384	258,769	1,848,348
Differences between expected and actual experience - OPEB	3,480,949	308,438	616,877	4,406,264
Changes of assumptions - OPEB	1,097,235	97,224	194,447	1,388,906
Total deferred inflows of resources	<u>6,225,396</u>	<u>551,617</u>	<u>1,103,235</u>	<u>7,880,248</u>
<u>Net Position</u>				
Net position:				
Net investment in capital assets	157,599,278	6,704,443	31,318,377	195,622,098
Unrestricted	2,790,514	5,963,191	7,402,747	16,156,452
Total net position	<u>\$ 160,389,792</u>	<u>\$ 12,667,634</u>	<u>\$ 38,721,124</u>	<u>\$ 211,778,550</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Combining Statement of Net Position for Water and Sewer Department

June 30, 2021

	Water and Sewer Department		Totals
	Water Division	Sewer Division	
<u>Assets</u>			
Current assets:			
Cash on hand and in banks	\$ 6,410,508	\$ 3,885,660	\$ 10,296,168
Receivables:			
Customers	613,098	385,731	998,829
Unbilled revenue	398,017	280,133	678,150
Other	134,876	300,988	435,864
Materials and supplies inventory	132,911	31,843	164,754
Prepaid expenses	94,444	61,161	155,605
Total current assets	<u>7,783,854</u>	<u>4,945,516</u>	<u>12,729,370</u>
Capital assets	39,562,901	52,096,262	91,659,163
Less accumulated depreciation	<u>16,475,346</u>	<u>16,600,945</u>	<u>33,076,291</u>
Net capital assets	<u>23,087,555</u>	<u>35,495,317</u>	<u>58,582,872</u>
Total assets	<u>30,871,409</u>	<u>40,440,833</u>	<u>71,312,242</u>
<u>Deferred Outflows of Resources</u>			
Differences between projected and actual earnings on pension plan investments	1,507	1,131	2,638
Pension contributions subsequent to the measurement date	62,286	46,715	109,001
OPEB contributions subsequent to the measurement date	7,104	5,328	12,432
Differences between expected and actual experience - pension	142,011	106,508	248,519
Changes of assumptions - Pension	41,880	31,410	73,290
Changes of assumptions - OPEB	86,728	65,046	151,774
Total deferred outflows of resources	<u>341,516</u>	<u>256,138</u>	<u>597,654</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Combining Statement of Net Position for Water and Sewer Department
(Continued)

June 30, 2021

	Water and Sewer Department		Totals
	Water Division	Sewer Division	
<u>Liabilities</u>			
Current liabilities (payable from current assets):			
Current maturities of long-term debt	\$ 1,069,994	\$ 1,417,560	\$ 2,487,554
Accounts payable:			
Trade	75,284	350,093	425,377
Due to other departments	3,499,979	(679,866)	2,820,113
Retainage	-	-	-
Accrued liabilities	398,878	299,039	697,917
Customer deposits	33,283	-	33,283
Total current liabilities (payable from current assets)	<u>5,077,418</u>	<u>1,386,826</u>	<u>6,464,244</u>
Current liabilities (payable from restricted assets):			
Matured interest payable	-	1,533	1,533
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>1,533</u>	<u>1,533</u>
Total current liabilities	<u>5,077,418</u>	<u>1,388,359</u>	<u>6,465,777</u>
Noncurrent liabilities:			
Long-term debt, excluding current maturities	8,347,641	16,429,300	24,776,941
Other	-	11,986	11,986
Net OPEB liability	358,780	269,085	627,865
Net pension liability	115,982	86,986	202,968
Total noncurrent liabilities	<u>8,822,403</u>	<u>16,797,357</u>	<u>25,619,760</u>
Total liabilities	<u>13,899,821</u>	<u>18,185,716</u>	<u>32,085,537</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience - pension	18,938	14,204	33,142
Changes of assumptions - pension	147,868	110,901	258,769
Differences between expected and actual experience - OPEB	352,501	264,376	616,877
Changes of assumptions - OPEB	111,113	83,334	194,447
Total deferred inflows of resources	<u>630,420</u>	<u>472,815</u>	<u>1,103,235</u>
<u>Net Position</u>			
Net position:			
Net investment in capital assets	13,669,920	17,648,457	31,318,377
Unrestricted	3,012,764	4,389,983	7,402,747
Total net position	<u>\$ 16,682,684</u>	<u>\$ 22,038,440</u>	<u>\$ 38,721,124</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Combining Statement of Revenues, Expenses and Change in Net Position

For the Fiscal Year Ended June 30, 2021

	Power and Light Department	Gas Department	Water and Sewer Department	Totals
Operating revenues:				
Residential sales	\$ 92,510,941	\$ 2,885,658	\$ 5,800,975	\$ 101,197,574
Commercial and industrial sales - small	20,932,423	1,848,880	2,674,039	25,455,342
Commercial and industrial sales - large	55,669,375	-	623,920	56,293,295
Street and outdoor lighting	1,372,930	-	-	1,372,930
Interruptible sales	-	183,521	-	183,521
Other operating revenues	2,439,890	86,631	1,181,834	3,708,355
	<u>172,925,559</u>	<u>5,004,690</u>	<u>10,280,768</u>	<u>188,211,017</u>
Operating expenses:				
Purchased energy	126,860,056	2,014,452	-	128,874,508
Distribution and treatment	7,032,458	427,042	2,968,947	10,428,447
Customer account services	3,344,216	172,902	470,344	3,987,462
Administration and general	4,210,275	360,651	1,013,230	5,584,156
Maintenance	6,010,909	527,430	1,950,305	8,488,644
Depreciation	9,395,199	522,025	2,079,808	11,997,032
	<u>156,853,113</u>	<u>4,024,502</u>	<u>8,482,634</u>	<u>169,360,249</u>
Operating income	<u>16,072,446</u>	<u>980,188</u>	<u>1,798,134</u>	<u>18,850,768</u>
Non-operating revenues (expenses):				
Interest income	77,435	31,559	23,068	132,062
Interest expense	(1,269,478)	(25,314)	(326,659)	(1,621,451)
Amortization of debt expense	(20,734)	(9,128)	(20,372)	(50,234)
Amortization of loss on reacquisitioned debt	(8,914)	-	-	(8,914)
Amortization of premium on debt reacquisition	45,360	-	-	45,360
Gain (loss) on disposal	(53,844)	-	8,288	(45,556)
Rental income	36,900	-	-	36,900
	<u>(1,193,275)</u>	<u>(2,883)</u>	<u>(315,675)</u>	<u>(1,511,833)</u>
Income before contributions and transfers	14,879,171	977,305	1,482,459	17,338,935
Capital contributions from governments	-	-	-	-
Transfers to local government - in lieu of tax	<u>(3,729,372)</u>	<u>(182,507)</u>	<u>-</u>	<u>(3,911,879)</u>
Change in net position	<u>11,149,799</u>	<u>794,798</u>	<u>1,482,459</u>	<u>13,427,056</u>
Net position, beginning, as previously stated	149,239,993	11,872,836	34,024,202	195,137,031
Martel Utility District - Absorption	-	-	3,214,463	3,214,463
Net position, beginning, as restated	<u>149,239,993</u>	<u>11,872,836</u>	<u>37,238,665</u>	<u>198,351,494</u>
Net position, ending	<u>\$ 160,389,792</u>	<u>\$ 12,667,634</u>	<u>\$ 38,721,124</u>	<u>\$ 211,778,550</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Combining Statement of Revenues, Expenses and Change in Net Position
for Water and Sewer Department

For the Fiscal Year Ended June 30, 2021

	Water and Sewer Department		Totals
	Water Division	Sewer Division	
Operating revenues:			
Residential sales	\$ 3,353,846	\$ 2,447,129	\$ 5,800,975
Commercial and industrial sales - small	1,177,272	1,496,767	2,674,039
Commercial and industrial sales - large	623,920	-	623,920
Other operating revenues	627,034	554,800	1,181,834
	<u>5,782,072</u>	<u>4,498,696</u>	<u>10,280,768</u>
Operating expenses:			
Distribution and treatment	2,186,533	782,414	2,968,947
Customer account services	375,079	95,265	470,344
Administration and general	459,525	553,705	1,013,230
Maintenance	738,754	1,211,551	1,950,305
Depreciation	904,904	1,174,904	2,079,808
	<u>4,664,795</u>	<u>3,817,839</u>	<u>8,482,634</u>
Operating income	<u>1,117,277</u>	<u>680,857</u>	<u>1,798,134</u>
Non-operating revenues (expenses):			
Interest income	9,252	13,816	23,068
Interest expense	(88,794)	(237,865)	(326,659)
Amortization of debt expense	(12,826)	(7,546)	(20,372)
Gain on disposal	8,288	-	8,288
	<u>(84,080)</u>	<u>(231,595)</u>	<u>(315,675)</u>
Income before contributions	1,033,197	449,262	1,482,459
Capital contributions from governments	-	-	-
Change in net position	<u>1,033,197</u>	<u>449,262</u>	<u>1,482,459</u>
Net position, beginning, as previously stated	12,435,024	21,589,178	34,024,202
Martel Utility District - Absorption	<u>3,214,463</u>	<u>-</u>	<u>3,214,463</u>
Net position, beginning, as restated	<u>15,649,487</u>	<u>21,589,178</u>	<u>37,238,665</u>
Net position, ending	<u>\$ 16,682,684</u>	<u>\$ 22,038,440</u>	<u>\$ 38,721,124</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

	Power and Light Department	Gas Department	Water and Sewer Department	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 173,912,396	\$ 5,028,466	\$ 9,842,735	\$ 188,783,597
Cash payments to suppliers for goods and services	(133,099,937)	(2,734,068)	(4,011,838)	(139,845,843)
Cash payments to employees for services	(13,014,965)	(807,175)	(2,354,672)	(16,176,812)
	<u>27,797,494</u>	<u>1,487,223</u>	<u>3,476,225</u>	<u>32,760,942</u>
Net cash provided by operating activities				
Cash flows from noncapital and related financing activities:				
Miscellaneous non-operating income (expense)	-	-	743,129	743,129
Cash payment for in lieu of taxes	(3,729,372)	(182,507)	-	(3,911,879)
Cash received from (paid to) Tennessee Valley Authority Residential Energy Services Program, net	1,976	-	-	1,976
	<u>(3,727,396)</u>	<u>(182,507)</u>	<u>743,129</u>	<u>(3,166,774)</u>
Net cash provided (used) by noncapital and related financing activities				
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(13,817,948)	(864,205)	(4,412,831)	(19,094,984)
Interest and debt issuance expense paid	(1,253,766)	(34,442)	(347,031)	(1,635,239)
Customer advances for construction	88,580	-	-	88,580
Principal paid on long-term debt maturities	(55,821,333)	(254,461)	(3,775,377)	(59,851,171)
Unamortized premium on long-term debt	3,982,997	-	-	3,982,997
Proceeds from issuance of debt	55,150,000	2,012,975	5,591,000	62,753,975
Retainage payable	-	-	20,273	20,273
	<u>(11,671,470)</u>	<u>859,867</u>	<u>(2,923,966)</u>	<u>(13,735,569)</u>
Net cash provided (used) by capital and related financing activities				
Cash flows from investing activities:				
Interest received on investments	77,435	31,559	23,068	132,062
Income from building lease	36,900	-	-	36,900
Advances from (repayments to) other departments, net	(65,462)	(1,997,057)	2,062,519	-
	<u>48,873</u>	<u>(1,965,498)</u>	<u>2,085,587</u>	<u>168,962</u>
Net cash provided (used) by investing activities				
Net increase in cash and cash equivalents	12,447,501	199,085	3,380,975	16,027,561
Cash and cash equivalents, beginning of year	<u>12,480,695</u>	<u>4,803,797</u>	<u>6,915,193</u>	<u>24,199,685</u>
Cash and cash equivalents, end of year	<u>\$ 24,928,196</u>	<u>\$ 5,002,882</u>	<u>\$ 10,296,168</u>	<u>\$ 40,227,246</u>
Noncash investing and financing activities:				
Assets acquired in merger of MUD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,471,334</u>	<u>\$ 2,471,334</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Combining Statement of Cash Flows
(Continued)

For the Fiscal Year Ended June 30, 2021

	Light Department	Gas Department	Water and Sewer Department	Totals
<u>Reconciliation of operating income to net cash</u>				
<u>provided by operating activities:</u>				
Operating income	\$ 16,072,446	\$ 980,188	\$ 1,798,134	\$ 18,850,768
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,609,073	538,430	2,103,132	12,250,635
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(515,959)	(5,481)	(262,875)	(784,315)
Unbilled revenue	(271,490)	(24,328)	(98,544)	(394,362)
Other receivables	1,164,306	(11,909)	(207,602)	944,795
Materials and supplies inventory	(218,740)	(5,910)	(11,945)	(236,595)
Prepaid expenses	(367,188)	(54,934)	(62,154)	(484,276)
Deferred outflows related to pension, OPEB, and debt expense	193,148	65,494	130,987	389,629
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	2,022,144	28,779	124,962	2,175,885
Retainage payable	10,398	-	-	10,398
Accrued expenses	99,454	13,837	(186,464)	(73,173)
Net OPEB liability	(2,929,312)	(259,559)	(296,639)	(3,485,510)
Deferred inflows related to pension and OPEB	3,765,778	333,677	667,353	4,766,808
Net pension liability	(1,253,396)	(111,061)	(222,120)	(1,586,577)
Customer deposits	416,832	-	-	416,832
Net cash provided by operating activities	<u>\$ 27,797,494</u>	<u>\$ 1,487,223</u>	<u>\$ 3,476,225</u>	<u>\$ 32,760,942</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Combining Statement of Cash Flows for Water and Sewer Department

For the Fiscal Year Ended June 30, 2021

	Water and Sewer Department		Totals
	Water Division	Sewer Division	
Cash flows from operating activities:			
Cash received from customers	\$ 5,568,242	\$ 4,274,493	\$ 9,842,735
Cash payments to suppliers for goods and services	(2,239,924)	(1,771,914)	(4,011,838)
Cash payments to employees for services	(1,701,322)	(653,350)	(2,354,672)
Net cash provided by operating activities	<u>1,626,996</u>	<u>1,849,229</u>	<u>3,476,225</u>
Cash flows from noncapital and related financing activities:			
Cash provided by MUD merger	<u>743,129</u>	<u>-</u>	<u>743,129</u>
Net cash provided by noncapital and related financing activities	<u>743,129</u>	<u>-</u>	<u>743,129</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,288,014)	(3,124,817)	(4,412,831)
Interest and debt issuance expense paid	(101,620)	(245,411)	(347,031)
Principal paid on long-term debt maturities	(2,471,032)	(1,304,345)	(3,775,377)
Proceeds from issuance of debt	3,520,000	2,071,000	5,591,000
Proceeds on disposal of capital assets	<u>8,288</u>	<u>11,985</u>	<u>20,273</u>
Net cash used by capital and related financing activities	<u>(332,378)</u>	<u>(2,591,588)</u>	<u>(2,923,966)</u>
Cash flows from investing activities:			
Interest received on investments	9,252	13,816	23,068
Advances to (from) other departments, net	<u>3,034,699</u>	<u>(972,180)</u>	<u>2,062,519</u>
Net cash provided (used) by investing activities	<u>3,043,951</u>	<u>(958,364)</u>	<u>2,085,587</u>
Net increase (decrease) in cash and cash equivalents	5,081,698	(1,700,723)	3,380,975
Cash and cash equivalents, beginning of year	<u>1,328,810</u>	<u>5,586,383</u>	<u>6,915,193</u>
Cash and cash equivalents, end of year	<u>\$ 6,410,508</u>	<u>\$ 3,885,660</u>	<u>\$ 10,296,168</u>
Noncash investing and financing activities:			
Assets acquired in merger of MUD	<u>\$ 2,471,334</u>	<u>\$ -</u>	<u>\$ 2,471,334</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Combining Statement of Cash Flows for Water and Sewer Department
(Continued)

For the Fiscal Year Ended June 30, 2021

	Water and Sewer Department		Totals
	Water Division	Sewer Division	
<u>Reconciliation of operating income to net cash provided by operating activities:</u>			
Operating income	\$ 1,117,277	\$ 680,857	\$ 1,798,134
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	925,593	1,177,539	2,103,132
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(211,888)	(50,987)	(262,875)
Unbilled revenue	(81,125)	(17,419)	(98,544)
Other receivables	4,333	(211,935)	(207,602)
Materials and supplies inventory	(15,948)	4,003	(11,945)
Prepaid expenses	(38,153)	(24,001)	(62,154)
Deferred outflows related to pension, OPEB, and debt expense	74,850	56,137	130,987
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(126,037)	250,999	124,962
Net OPEB liability	(296,639)	-	(296,639)
Deferred inflows related to pension and OPEB	381,345	286,008	667,353
Accrued expenses	20,314	(206,778)	(186,464)
Net pension liability	(126,926)	(95,194)	(222,120)
Net cash provided by operating activities	<u>\$ 1,626,996</u>	<u>\$ 1,849,229</u>	<u>\$ 3,476,225</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
POWER AND LIGHT DEPARTMENT

Schedule of Utility Plant

June 30, 2021

	Assets			Accumulated Depreciation					Net Plant
	Balance July 1, 2020	Additions	Retirements/ Adjustments	Balance June 30, 2021	Balance July 1, 2020	Expense	Retirements/ Adjustments Plus Cost of Removal Minus Salvage	Balance June 30, 2021	
Utility plant:									
Distribution plant:									
Land and land rights	\$ 2,899,318	\$ 253,761	\$ 318,500	\$ 2,834,579	\$ -	\$ -	\$ -	\$ -	\$ 2,834,579
Structures and improvements	1,666,086	-	-	1,666,086	750,929	49,983	-	800,912	865,174
Station equipment	43,601,951	2,824,059	52,500	46,373,510	22,452,310	1,743,485	52,500	24,143,295	22,230,215
Poles, towers and fixtures	32,861,943	1,269,822	365,599	33,766,166	9,649,861	994,822	1,066,132	9,578,551	24,187,615
Overhead conductors and devices	26,914,842	1,007,985	883,457	27,039,370	4,788,136	607,778	1,312,201	4,083,713	22,955,657
Underground conduit	7,103,067	187,786	7,462	7,283,391	2,786,922	215,845	6,673	2,996,094	4,287,297
Underground conduit and devices	27,395,049	1,615,071	62,563	28,947,557	8,960,283	846,314	61,412	9,745,185	19,202,372
Line transformers	46,705,113	1,701,475	404,784	48,001,804	15,970,145	1,183,063	409,647	16,743,561	31,258,243
Services	8,711,680	274,107	476,122	8,509,665	1,071,265	193,145	520,910	743,500	7,766,165
Meters	16,357,916	717,690	127,173	16,948,433	7,307,884	1,105,910	127,165	8,286,629	8,661,804
Installation on customers' premises	3,117,594	108,428	16,565	3,209,457	2,669,216	189,291	17,590	2,840,917	368,540
Street lighting and signal system	427,648	8,310	530	435,428	339,368	12,924	443	351,849	83,579
Total distribution plant	217,762,207	9,968,494	2,715,255	225,015,446	76,746,319	7,142,560	3,574,673	80,314,206	144,701,240
General plant:									
Land and land rights	4,007,628	2,048,708	205,379	5,850,957	-	-	-	-	5,850,957
Structures and improvements	42,401,202	8,551	380,555	42,029,198	2,227,689	848,110	190,277	2,885,522	39,143,676
Equipment and office furniture	9,539,142	1,116,240	2,462	10,652,920	2,399,513	810,988	2,462	3,208,039	7,444,881
Transportation equipment	5,633,532	600,538	221,867	6,012,203	4,156,618	213,874	185,067	4,185,425	1,826,778
Stores equipment	3,976	9,363	14,953	(1,614)	3,976	2,312	(2,092)	8,380	(9,994)
Tools, shop and garage equipment	1,006,094	21,043	(14,953)	1,042,090	453,899	50,658	2,092	502,465	539,625
Laboratory equipment	261,233	-	-	261,233	261,233	-	-	261,233	-
Power operated equipment	474,682	-	-	474,682	279,158	23,734	-	302,892	171,790
Communications equipment	6,209,781	-	-	6,209,781	777,583	496,782	-	1,274,365	4,935,416
Miscellaneous	137,925	36,730	-	174,655	(12,079)	11,780	-	(299)	174,954
Total general plant	69,675,195	3,841,173	810,263	72,706,105	10,547,590	2,458,238	377,806	12,628,022	60,078,083
Total electric plant in service	287,437,402	13,809,667	3,525,518	297,721,551	87,293,909	9,600,798	3,952,479	92,942,228	204,779,323
Nonutility assets:									
Structures and improvements	-	413,734	(585,934)	999,668	-	8,275	(190,277)	198,552	801,116
Plant future use	4,078,879	(178,213)	-	3,900,666	-	-	-	-	3,900,666
Construction work in progress	5,954,872	(1,103,702)	-	4,851,170	-	-	-	-	4,851,170
Total utility plant	\$ 297,471,153	\$ 12,941,486	\$ 2,939,584	\$ 307,473,055	\$ 87,293,909	\$ 9,609,073	\$ 3,762,202	\$ 93,140,780	\$ 214,332,275

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
GAS DEPARTMENT

Schedule of Utility Plant

June 30, 2021

	Assets			Accumulated Depreciation				Net Plant	
	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Balance July 1, 2020	Expense	Retirements		Balance June 30, 2021
Utility plant:									
Distribution plant:									
Land and land rights	\$ 1,684	\$ -	\$ -	\$ 1,684	\$ -	\$ -	\$ -	\$ -	\$ 1,684
Structures and improvements	16,879,788	342,227	-	17,222,015	8,452,342	492,830	-	8,945,172	8,276,843
Measuring and regulating station equipment	93,474	-	-	93,474	40,391	1,869	-	42,260	51,214
Total distribution plant	16,974,946	342,227	-	17,317,173	8,492,733	494,699	-	8,987,432	8,329,741
General plant:									
Structures and improvements	57,411	-	-	57,411	42,323	1,148	-	43,471	13,940
Office equipment	266,668	-	-	266,668	118,713	13,334	-	132,047	134,621
Transportation equipment	698,747	-	41,861	656,886	410,245	16,364	41,861	384,748	272,138
Tools and other equipment	258,154	7,506	-	265,660	213,279	4,108	-	217,387	48,273
Communication equipment	117,358	-	-	117,358	90,149	7,041	-	97,190	20,168
Power operated equipment	162,923	21,268	-	184,191	135,123	1,736	-	136,859	47,332
Total general plant	1,561,261	28,774	41,861	1,548,174	1,009,832	43,731	41,861	1,011,702	536,472
Total gas plant in service	18,536,207	371,001	41,861	18,865,347	9,502,565	538,430	41,861	9,999,134	8,866,213
Construction work in progress	213,565	493,204	-	706,769	-	-	-	-	706,769
Total utility plant	\$ 18,749,772	\$ 864,205	\$ 41,861	\$ 19,572,116	\$ 9,502,565	\$ 538,430	\$ 41,861	\$ 9,999,134	\$ 9,572,982

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
WATER DIVISION

Schedule of Utility Plant

June 30, 2021

	Assets					Accumulated Depreciation					Net plant
	Balance July 1, 2020	Additions	Absorption of MUD Assets*	Retirements/ Adjustments	Balance June 30, 2021	Balance July 1, 2020	Expenses	Absorption of MUD Depreciation*	Retirements/ Adjustments	Balance June 30, 2021	
Utility plant:											
Treatment and distribution plant:											
Water plant and service equipment	\$ 3,410,574	\$ -	\$ -	\$ -	\$ 3,410,574	\$ 3,072,700	\$ 85,264	\$ -	\$ -	\$ 3,157,964	\$ 252,610
Reservoirs and standpipes	2,750,089	-	-	-	2,750,089	1,064,407	68,752	-	-	1,133,159	1,616,930
Supply mains and pumping equipment	17,033,891	120,977	4,032,653	-	21,187,521	6,043,924	392,924	2,068,897	-	8,505,745	12,681,776
Water treatment equipment	136,402	2,678	-	-	139,080	128,362	6,820	-	-	135,182	3,898
Services	2,700,435	250,828	-	-	2,951,263	652,850	70,428	-	-	723,278	2,227,985
Meters and hydrants	5,046,348	202,382	442,697	-	5,691,427	1,082,801	220,551	206,667	-	1,510,019	4,181,408
Total treatment and distribution plant	31,077,739	576,865	4,475,350	-	36,129,954	12,045,044	844,739	2,275,564	-	15,165,347	20,964,607
General plant:											
Land and land rights	193,819	-	38,936	-	232,755	-	-	-	-	-	232,755
Structures and improvements	446,830	11,970	419,896	-	878,696	224,204	29,262	204,233	-	457,699	420,997
Transportation equipment	388,824	-	61,969	43,000	407,793	306,902	21,407	61,333	43,000	346,642	61,151
Tools, shop and garage equipment	563,395	9,342	178,543	-	751,280	313,243	30,185	162,230	-	505,658	245,622
Total general plant	1,592,868	21,312	699,344	43,000	2,270,524	844,349	80,854	427,796	43,000	1,309,999	960,525
Total water plant in service	32,670,607	598,177	5,174,694	43,000	38,400,478	12,889,393	925,593	2,703,360	43,000	16,475,346	21,925,132
Construction work in progress	472,586	689,837	-	-	1,162,423	-	-	-	-	-	1,162,423
Total utility plant	\$ 33,143,193	\$ 1,288,014	\$ 5,174,694	\$ 43,000	\$ 39,562,901	\$ 12,889,393	\$ 925,593	\$ 2,703,360	\$ 43,000	\$ 16,475,346	\$ 23,087,555

*These additions represent the Utility's Board absorption of the Utility Plant for Martel Utility District.

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Utility Plant

June 30, 2021

	Assets			Accumulated Depreciation				Net Plant	
	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Balance July 1, 2020	Expense	Retirements		Balance June 30, 2021
Utility plant:									
Treatment and distribution plant:									
Land and land rights	\$ 12,500	\$ -	\$ -	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ 12,500
Sewage treatment plant and lift station	3,437,013	592,346	60,035	3,969,324	3,051,737	136,700	-	3,188,437	780,887
Interception sewers	18,959,103	1,811,301	-	20,770,404	8,860,595	498,966	-	9,359,561	11,410,843
Structures and improvements	19,651,719	9,772	-	19,661,491	3,034,880	393,131	-	3,428,011	16,233,480
Meters	12,459	-	-	12,459	6,606	250	-	6,856	5,603
Supply mains	3,235,361	69,000	-	3,304,361	27,460	81,315	-	108,775	3,195,586
Services	1,812,190	248,007	6,267	2,053,930	211,626	48,443	-	260,069	1,793,861
Total treatment and distribution plant	47,120,345	2,730,426	66,302	49,784,469	15,192,904	1,158,805	-	16,351,709	33,432,760
General plant:									
Land and land rights	134,218	65,200	-	199,418	-	-	-	-	199,418
Paving	5,600	-	-	5,600	5,600	-	-	5,600	-
Transportation equipment	210,309	-	-	210,309	70,733	2,634	-	73,367	136,942
Tools and equipment	301,083	5,964	-	307,047	107,969	7,346	-	115,315	191,732
Office furniture and equipment	181,650	-	-	181,650	46,200	8,754	-	54,954	126,696
Total general plant	832,860	71,164	-	904,024	230,502	18,734	-	249,236	654,788
Total sewer plant in service	47,953,205	2,801,590	66,302	50,688,493	15,423,406	1,177,539	-	16,600,945	34,087,548
Construction work in progress	1,018,240	389,529	-	1,407,769	-	-	-	-	1,407,769
Total utility plant	\$ 48,971,445	\$ 3,191,119	\$ 66,302	\$ 52,096,262	\$ 15,423,406	\$ 1,177,539	\$ -	\$ 16,600,945	\$ 35,495,317

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
POWER AND LIGHT DEPARTMENT

Schedule of Long-Term Principal and Interest Requirements

June 30, 2021

	Series 2020B Electric Revenue Bond Series* 2% to 3%		Totals	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2022	\$ 2,435,000	\$ 1,378,813	\$ 2,435,000	\$ 1,378,813
2023	2,480,000	1,305,763	2,480,000	1,305,763
2024	2,525,000	1,231,363	2,525,000	1,231,363
2025	2,565,000	1,155,613	2,565,000	1,155,613
2026	2,615,000	1,078,663	2,615,000	1,078,663
2027	2,670,000	1,000,213	2,670,000	1,000,213
2028	2,715,000	920,113	2,715,000	920,113
2029	2,770,000	838,663	2,770,000	838,663
2030	2,825,000	755,563	2,825,000	755,563
2031	2,885,000	670,813	2,885,000	670,813
2032	2,945,000	584,263	2,945,000	584,263
2033	2,610,000	495,913	2,610,000	495,913
2034	2,450,000	417,613	2,450,000	417,613
2035	2,485,000	368,613	2,485,000	368,613
2036	2,525,000	318,913	2,525,000	318,913
2037	2,570,000	268,413	2,570,000	268,413
2038	2,610,000	217,013	2,610,000	217,013
2039	2,650,000	164,813	2,650,000	164,813
2040	2,690,000	111,813	2,690,000	111,813
2041	2,730,000	58,003	2,730,000	58,003
	<u>\$ 52,750,000</u>	<u>\$ 13,340,950</u>	<u>\$ 52,750,000</u>	<u>\$ 13,340,950</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
GAS DEPARTMENT

Schedule of Long-Term Principal and Interest Requirements

June 30, 2021

	Series 2011 Gas Revenue and Tax Bonds 2.95%		Series 2021A Capital Outlay Note 1.39%		Series 2021B Capital Outlay Note 1.59%		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 152,000	\$ 13,865	\$ 100,000	\$ 10,500	\$ 200,000	\$ 31,005	\$ 452,000	\$ 55,370
2023	157,000	9,381	100,000	7,000	200,000	27,825	457,000	44,206
2024	161,000	4,747	198,539	3,500	200,000	24,645	559,539	32,892
2025					200,000	21,465	200,000	21,465
2026					200,000	18,285	200,000	18,285
2027					200,000	15,105	200,000	15,105
2028					200,000	11,925	200,000	11,925
2029					200,000	8,745	200,000	8,745
2030					200,000	5,565	200,000	5,565
2031					200,000	2,385	200,000	2,385
	<u>\$ 470,000</u>	<u>\$ 27,993</u>	<u>\$ 398,539</u>	<u>\$ 21,000</u>	<u>\$ 2,000,000</u>	<u>\$ 166,950</u>	<u>\$ 2,868,539</u>	<u>\$ 215,943</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
WATER DIVISION

Schedule of Long-Term Principal and Interest Requirements

June 30, 2021

	State of Tennessee State Drinking Water Fund 2.04%		Series 2003* Tennessee Municipal Loan Bond Pool		Series 2008* Tennessee Municipal Loan Bond Pool		Series 2021A Water Revenue Bond Series 1.39%		Series 2021B Water Revenue Bond Series 1.69%		CNH Industrial 7.18% Capital Note		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ 47,531	\$ 1,044	\$ 215,000	\$ 76,965	\$ 160,000	\$ 127,225	\$ 510,045	\$ 26,259	\$ 100,000	\$ 24,928	\$ 37,418	\$ 2,873	\$ 1,069,994
2023			222,000	69,440	167,000	121,625	505,000	19,210	100,000	23,237	13,402	414	1,007,402	233,926
2024			229,000	61,670	175,000	115,780	505,000	12,191	100,000	21,547			1,009,000	211,188
2025			236,000	53,655	183,000	109,655	465,239	5,195	100,000	19,858			984,239	188,363
2026			244,000	45,395	191,000	103,250			100,000	18,168			535,000	166,813
2027			251,000	36,855	199,000	96,565			100,000	16,477			550,000	149,897
2028			259,000	28,070	208,000	89,600			100,000	14,788			567,000	132,458
2029			267,000	19,005	218,000	82,320			100,000	13,097			585,000	114,422
2030			276,000	9,660	227,000	74,690			100,000	11,407			603,000	95,757
2031					238,000	66,745			100,000	9,718			338,000	76,463
2032					248,000	58,415			100,000	8,028			348,000	66,443
2033					260,000	49,735			100,000	6,337			360,000	56,072
2034					271,000	40,635			100,000	4,648			371,000	45,283
2035					284,000	31,150			100,000	2,958			384,000	34,108
2036					296,000	21,210			100,000	1,267			396,000	22,477
2037					310,000	10,850							310,000	10,850
	<u>\$ 47,531</u>	<u>\$ 1,044</u>	<u>\$ 2,199,000</u>	<u>\$ 400,715</u>	<u>\$ 3,635,000</u>	<u>\$ 1,199,450</u>	<u>\$ 1,985,284</u>	<u>\$ 62,855</u>	<u>\$ 1,500,000</u>	<u>\$ 196,463</u>	<u>\$ 50,820</u>	<u>\$ 3,287</u>	<u>\$ 9,417,635</u>	<u>\$ 1,863,814</u>

* Variable interest rate. Assumed an interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2021 is 0.22%.

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Long-Term Principal and Interest Requirements

June 30, 2021

	State of Tennessee Revolving Loan SRF99-126 2.23%		State of Tennessee Revolving Loan SRF2001-155 2.08%		State of Tennessee Revolving Loan SRF2006-191 1.60%		State of Tennessee Revolving Loan SRF2008-218 1.47%		State of Tennessee Revolving Loan SRF2009-238 2.88%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 26,294	\$ 336	\$ 48,823	\$ 3,600	\$ 59,016	\$ 7,392	\$ 575,028	\$ 89,771	\$ 79,104	\$ 28,020
2023			49,994	2,429	59,976	6,432	583,536	81,264	81,408	25,716
2024			73,948	1,229	60,936	5,472	592,176	72,624	83,784	23,340
2025					61,920	4,488	600,936	63,864	86,232	20,892
2026					62,916	3,492	609,828	54,972	88,752	18,372
2027					63,936	2,472	618,864	45,936	91,344	15,780
2028					64,968	1,440	628,020	36,780	94,008	13,116
2029					55,026	407	637,308	27,492	96,756	10,368
2030							646,740	18,060	99,576	7,548
2031							656,316	8,484	193,937	6,294
2032							220,879	627		
2033										
2034										
2035										
2036										
2037										
2038										
2039										
	<u>\$ 26,294</u>	<u>\$ 336</u>	<u>\$ 172,765</u>	<u>\$ 7,258</u>	<u>\$ 488,694</u>	<u>\$ 31,595</u>	<u>\$ 6,369,631</u>	<u>\$ 499,874</u>	<u>\$ 994,901</u>	<u>\$ 169,446</u>

(Continued)

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Long-Term Principal and Interest Requirements
(Continued)

June 30, 2021

	State of Tennessee Revolving Loan SRF2015-342 1.33%		State of Tennessee Revolving Loan SRF2018-402 1.24%		Series 2021C Sewer Revenue Bond Series 1.79%		Series 2021D Sewer Revenue Bond Series 1.69%		CNH Industrial 2018 - Capital Note 7.00%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ 83,448	\$ 20,988	\$ 49,956	\$ 11,940	\$ 89,250	\$ 18,772	\$ 66,667	\$ 16,618	\$ 18,974
2023	84,564	19,872	50,580	11,316	89,250	17,174	66,667	15,492	18,653	2,649
2024	85,704	18,732	51,204	10,692	89,250	15,576	66,667	14,365	7,264	1,277
2025	86,844	17,592	51,852	10,044	89,250	13,979	66,667	13,238		
2026	88,008	16,428	52,500	9,396	89,250	12,381	66,667	12,112		
2027	89,184	15,252	53,148	8,748	89,250	10,784	66,667	10,985		
2028	90,384	14,052	53,808	8,088	89,250	9,186	66,667	9,858		
2029	91,584	12,852	54,480	7,416	89,250	7,589	66,667	8,732		
2030	92,820	11,616	55,164	6,732	89,250	5,991	66,667	7,605		
2031	94,056	10,380	55,848	6,048	89,250	4,393	66,667	6,478		
2032	95,316	9,120	56,544	5,352	89,250	2,796	66,667	5,352		
2033	96,588	7,848	57,252	4,644	89,250	1,198	66,667	4,225		
2034	97,884	6,552	57,960	3,936			66,667	3,098		
2035	99,192	5,244	58,692	3,204			66,667	1,972		
2036	100,524	3,912	59,424	2,472			66,662	845		
2037	101,868	2,568	60,168	1,728						
2038	103,224	1,212	60,912	984						
2039	34,784	97	46,216	237						
	<u>\$ 1,615,976</u>	<u>\$ 194,317</u>	<u>\$ 985,708</u>	<u>\$ 112,977</u>	<u>\$ 1,071,000</u>	<u>\$ 119,819</u>	<u>\$ 1,000,000</u>	<u>\$ 130,975</u>	<u>\$ 44,891</u>	<u>\$ 7,854</u>

(Continued)

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Long-Term Principal and Interest Requirements
(Continued)

June 30, 2021

	Series 2003* Tennessee Municipal Loan Bond Pool		Series 2005* Tennessee Municipal Loan Bond Pool		Series 2008* Tennessee Municipal Loan Bond Pool		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 69,000	\$ 15,785	\$ 76,000	\$ 27,475	\$ 176,000	\$ 139,965	\$ 1,417,560	\$ 384,590
2023	71,000	13,370	78,000	24,815	184,000	133,805	1,417,628	354,334
2024	74,000	10,885	81,000	22,085	192,000	127,365	1,457,933	323,642
2025	76,000	8,295	84,000	19,250	201,000	120,645	1,404,701	292,287
2026	3,000	8,540	87,000	16,310	210,000	113,610	1,357,921	265,613
2027			90,000	13,265	219,000	106,260	1,381,393	229,482
2028			93,000	10,115	229,000	98,595	1,409,105	201,230
2029			96,000	6,860	240,000	90,580	1,427,071	172,296
2030			100,000	3,500	250,000	82,180	1,400,217	143,232
2031					262,000	73,430	1,418,074	115,507
2032					273,000	64,260	801,656	87,507
2033					286,000	54,705	595,757	72,620
2034					298,000	44,695	520,511	58,281
2035					312,000	34,265	536,551	44,685
2036					326,000	23,345	552,610	30,574
2037					341,000	11,935	503,036	16,231
2038							164,136	2,196
2039							81,000	334
	<u>\$ 293,000</u>	<u>\$ 56,875</u>	<u>\$ 785,000</u>	<u>\$ 143,675</u>	<u>\$ 3,999,000</u>	<u>\$ 1,319,640</u>	<u>\$ 17,846,860</u>	<u>\$ 2,794,641</u>

*Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2021 is at 0.22%.

See independent auditor's report.

LENOIR CITY UTILITIES BOARD

Schedule of Changes in Long-Term Debt by Individual Issue

June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
Business-Type Activities									
Bonds Payable:									
Electric UCB - Revenue Bond - Series 2015	\$ 10,000,000	Variable (1)	06/30/2016	01/01/2033	\$ 8,333,333	\$ -	\$ 8,333,333	\$ -	\$ -
Electric UCB - Revenue Bond - Series 2020B	\$ 55,150,000	2-3%	09/24/2020	06/01/2041	-	55,150,000	2,400,000	-	52,750,000
Gas Revenue and Tax Bond - Series 2011	\$ 1,650,000	2.95%	11/31/2011	12/01/2023	618,000	-	148,000	-	470,000
Water TMBF - Series 2003 #1 Bond Pool	\$ 5,000,000	Variable (2)	07/01/2006	05/25/2030	2,408,000	-	209,000	-	2,199,000
Water Distribution Services Project Series 2008	\$ 5,000,000	Variable (2)	06/30/2009	05/25/2037	3,788,000	-	153,000	-	3,635,000
Water UCB - Revenue Bond - Series 2021A	\$ 2,020,000	1.39%	03/24/2021	03/24/2025	-	2,020,000	34,716	-	1,985,284
Water UCB - Revenue Bond - Series 2021B	\$ 1,500,000	1.69%	03/24/2021	03/24/2036	-	1,500,000	-	-	1,500,000
Sewer TMBF - Series 2003 #2 Bond Pool	\$ 1,500,000	Variable (2)	06/21/2004	05/25/2024	385,000	-	92,000	-	293,000
Sewer TMBF - Series 2005 Bond Pool	\$ 1,700,000	Variable (2)	05/25/2005	05/25/2030	858,000	-	73,000	-	785,000
Sewer TMBF - Series 2008 Bond Pool	\$ 5,500,000	Variable (2)	05/25/2008	05/25/2037	4,167,000	-	168,000	-	3,999,000
Sewer UCB - Revenue Bond - Series 2021C	\$ 1,071,000	1.79%	03/24/2021	03/24/2033	-	1,071,000	-	-	1,071,000
Sewer UCB - Revenue Bond - Series 2021D	\$ 1,000,000	1.69%	03/24/2021	03/24/2036	-	1,000,000	-	-	1,000,000
Total Bonds Payable					<u>\$ 20,557,333</u>	<u>\$ 60,741,000</u>	<u>\$ 11,611,049</u>	<u>\$ -</u>	<u>\$ 69,687,284</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Schedule of Changes in Long-Term Debt by Individual Issue
(Continued)

June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
Business-Type Activities (Continued)									
Notes Payable:									
Gas UCB - Capital Outlay Note Bond - Series 2021A	\$ 1,000,000	1.39%	04/01/2014	04/01/2024	\$ 492,025	\$ 12,975	\$ 106,461	\$ -	\$ 398,539
Gas UCB - Capital Outlay Note Bond - Series 2021B	\$ 2,000,000	1.59%	03/24/2021	03/24/2031	-	2,000,000	-	-	2,000,000
Water Revenue Anticipation Note Series, 2014	\$ 5,900,000	Variable (1)	04/14/2014	04/24/2029	2,012,143	-	-	2,012,143	-
Water CNH Industrial Capital Note	\$ 165,488	7.18%	11/30/2017	12/30/2022	85,861	-	35,041	-	50,820
Sewer CNH Industrial Capital Note	\$ 91,195	7.0%	10/26/2018	11/01/2023	62,691	-	17,800	-	44,891
Electric Local Government Loan Program - Series 2016	\$ 25,000,000	2.39%	07/13/2016	06/13/2041	22,609,000	-	-	22,609,000	-
Electric Local Government Loan Program - Series 2016	\$ 25,000,000	Variable (1)	07/23/2016	01/01/2033	22,479,000	-	-	22,479,000	-
Water Drinking Water Fund DWF-2000-035 Loan	\$ 500,000	2.04%	04/01/2003	03/01/2023	74,663	-	27,132	-	47,531
Sewer State Revolving Fund Loan - SRF 2006-191	\$ 1,150,800	1.60%	05/01/2009	04/01/2029	546,774	-	58,080	-	488,694
Sewer State Revolving Fund Loan - SRF 2008-218	\$ 13,500,000	1.47%	11/01/2011	10/01/2031	6,936,271	-	566,640	-	6,369,631
Sub-total Notes Payable					<u>55,298,428</u>	<u>2,012,975</u>	<u>811,154</u>	<u>47,100,143</u>	<u>9,400,106</u>

(Continued)

LENOIR CITY UTILITIES BOARD

Schedule of Changes in Long-Term Debt by Individual Issue
(Continued)

June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
Business-Type Activities (Continued)									
Notes Payable (Continued):									
Sewer State Revolving Fund Loan - SRF CGA 9-238	\$ 1,605,366	2.88%	07/01/2012	06/01/2032	\$ 1,070,695	\$ -	\$ 75,794	\$ -	\$ 994,901
Sewer State Revolving Fund Loan - SRF 96-095	\$ 1,006,686	2.35%	03/01/2001	03/20/2021	47,000	-	47,000	-	-
Water State Revolving Fund Loan - SRF 99-126	\$ 454,818	2.23%	07/01/2002	06/30/2022	53,549	-	27,255	-	26,294
Sewer State Revolving Fund Loan - SRF 2001-155	\$ 825,000	2.08%	01/01/2005	12/30/2024	219,853	-	47,088	-	172,765
Sewer State Revolving Fund Loan - SRF 2015-342	\$ 1,833,160	1.33%	03/01/2015	10/01/2038	1,698,320	-	82,344	-	1,615,976
Sewer State Revolving Fund Loan - SRF 2018-402	\$ 1,289,263	1.24%	04/01/2018	03/01/2039	1,035,052	-	49,344	-	985,708
Total Notes Payable					<u>\$ 59,422,897</u>	<u>\$ 2,012,975</u>	<u>\$ 1,139,979</u>	<u>\$ 47,100,143</u>	<u>\$ 13,195,750</u>

(1) Variable interest rate at June 30, 2021 is not applicable as loan was paid off.

(2) Variable interest rate at June 30, 2021 is 0.22%.

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
POWER AND LIGHT DEPARTMENT

Schedule of Utility Rates and Number of Customers

June 30, 2021

RESIDENTIAL RATE - SCHEDULE RS

Customer Charge \$19.58 per month less \$1.60 hydro allocation credit

Energy Charge 9.575¢ per kWh per month

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer Charge \$19.62 per delivery point per month

Energy Charge 11.182¢ per kWh per month

PART 2.

Customer Charge \$62.81 per delivery point per month

Demand Charge First 50 kW of billing demand per month, no charge
Excess over 50 kW of billing demand per month at \$14.25 per kW

Energy Charge First 15,000 kWh per month at 10.996¢ per kWh
Additional kWh per month at 6.502¢ per kWh

PART 3.

Customer Charge \$173.34 per delivery point per month

Demand Charge First 1,000 kW of billing demand per month at \$14.14 per kW
Excess over 1,000 kW of billing demand per month at \$15.44 per kW, plus an
additional \$16.40 per kW per month for each kW, if any, of the amount by which the
customer's billing demand exceeds the higher of 2,000 kW or its contract demand

Energy Charge 6.509¢ per kWh per month

GENERAL POWER RATE - SCHEDULE TOU GSB

Customer Charge \$1,500.00 per delivery point per month

Demand Charge \$10.87 per kW of on-peak billing demand per month, plus \$5.21 per kW of off-peak
billing demand, plus an additional \$10.87 per kW per month for each kW, if any, of
the amount by which the customer's billing demand exceeds its contract demand

Energy Charge 5.674¢ per off-peak kWh for up to 200 hours use of metered demand (HUD) per
month, plus 2.216¢ per off-peak kWh for next 200 HUD, plus 1.875¢ per off-peak
kWh additional HUD 8.165¢ per kWh for all on-peak kWh per month

(Continued)

LENOIR CITY UTILITIES BOARD
POWER AND LIGHT DEPARTMENT

Schedule of Utility Rates and Number of Customers
(Continued)

June 30, 2021

GENERAL POWER RATE - SCHEDULE TOU GSC

Customer Charge.....	\$1,500.00 per delivery point per month
Demand Charge.....	\$10.87 per kW of on-peak billing demand per month, plus \$4.70 per kW of off-peak billing demand, plus an additional \$10.87 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
Energy Charge.....	5.674¢ per off-peak kWh for up to 200 hours use of metered demand per month, plus 2.216¢ per off-peak kWh for next 200 HUD, plus 1.875¢ per off-peak kWh additional HUD 8.165¢ per kWh for all on-peak kWh per month

GENERAL POWER RATE - SCHEDULE TOU GSD

Customer Charge.....	\$1,500.00 per delivery point per month
Demand Charge.....	\$10.87 per kW of on-peak billing demand per month, plus \$4.59 per kW of off-peak billing demand, plus an additional \$10.87 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
Energy Charge.....	5.674¢ per off-peak kWh for up to 200 hours use of metered demand per month, plus 2.102¢ per off-peak kWh for next 200 HUD, plus 1.875¢ per off-peak kWh additional HUD 8.165¢ per kWh for all on-peak kWh per month

OUTDOOR LIGHTING RATE - SCHEDULE LS

Customer Charge.....	\$2.50
Energy Charge.....	6.735¢ per kWh
Facility Charge.....	LP (13)% $\frac{B}{A \text{ or } B}$

Customer Data

	<u>Number of Customers</u>
Residential	57,805
General power - 50 kW and under	11,640
General power - over 50 kW	946
Street and athletic lighting	<u>501</u>
	<u>70,892</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
GAS DEPARTMENT

Schedule of Utility Rates and Number of Customers

June 30, 2021

Gas Rates in Effect at June 30, 2021*

	<u>Per 100 Cubic Feet</u>
General service rate - residential:	
Customer Charge	\$6.00
Per 100 cubic feet (ccf)	.56
Commercial - industrial:	
Customer Charge	\$8.00
Per 100 cubic feet (ccf)	.544
Large volume - industrial:	
Customer Charge	\$11.00
Excess of 5,000,000 cubic feet	.515
Interruptible:	
Customer Charge	\$11.00
Per 100 cubic feet (ccf)	.205

*These rates do not include commodity adjustments based on wellhead cost which fluctuate monthly.

Customer Data

	<u>Number of Customers</u>
Residential	5,679
Small commercial	951
Large commercial	4
Interruptible	<u>4</u>
	<u>6,638</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
WATER DIVISION

Schedule of Utility Rates and Number of Customers

June 30, 2021

Water Rates in Effect at June 30, 2021

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
First 2,000 gallons - minimum bill	\$14.72	\$14.72
Excess of 2,000 gallons	5.90	5.90
Flat rate	28.53	28.53

Customer Data

	<u>Number of Customers</u>
Residential	9,702
Small commercial	1,442
Large and commercial	12
Martel resale	1
Industrial	<u>563</u>
	<u>11,720</u>

See independent auditor's report.

LENOIR CITY UTILITIES BOARD
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Utility Rates and Number of Customers

June 30, 2021

Sewer Rates in Effect at June 30, 2021

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
<u>Residential</u>		
First 2,000 gallons - minimum bill*	\$21.66	\$30.79
Excess of 2,000 gallons	8.69	12.36
*Max on residential sewer – 20,000 gallons		
<u>Commercial</u>		
First 2,000 gallons - minimum bill	\$21.66	\$30.79
Excess of 2,000 gallons	8.69	12.36
<u>Industrial</u>		
First 2,000 gallons - minimum bill	\$21.66	\$30.79
Excess of 2,000 gallons	8.69	12.36

Customer Data

	<u>Number of Customers</u>
Residential	5,073
Commercial and Industrial	<u>1,013</u>
	<u>6,086</u>

See independent auditor's report.

STATISTICAL SCHEDULES
(Unaudited)

? Click to access definition
+ Click to add a comment

Water Audit Report for: **Lenoir City Utilities Board (000396)**
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

WATER SUPPLIED

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

Volume from own sources:	+ ?	9	943.992	MG/Yr
Water imported:	+ ?	7	410.842	MG/Yr
Water exported:	+ ?			MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	Value:	MG/Yr
+ ?	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/>	
+ ?	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/>	
+ ?	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/>	

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 1,354.834 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	10	751.502	MG/Yr
Billed unmetered:	+ ?			MG/Yr
Unbilled metered:	+ ?			MG/Yr
Unbilled unmetered:	+ ?	9	47.596	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 799.098 MG/Yr

Click here: ? for help using option buttons below

Pcnt: Value: MG/Yr

47.596

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

555.736 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 3.387 MG/Yr

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

Customer metering inaccuracies:	+ ?	6	39.553	MG/Yr
Systematic data handling errors:	+ ?		1.879	MG/Yr

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

Apparent Losses: 44.819 MG/Yr

Pcnt: Value: MG/Yr

0.25%

5.00%

0.25%

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **510.917** MG/Yr

WATER LOSSES: 555.736 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 603.332 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	10	307.0	miles
Number of active AND inactive service connections:	+ ?	9	11,615	
Service connection density:	?		38	conn./mile main

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

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

Average operating pressure: + ? 10 98.0 psi

COST DATA

Total annual cost of operating water system:	+ ?	10	\$4,019,443	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	6	\$7.25	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	9	\$900.81	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Customer metering inaccuracies
- 2: Customer retail unit cost (applied to Apparent Losses)
- 3: Water imported



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.

Water Audit Report for: **Lenoir City Utilities Board (000396)**
 Reporting Year: **2021** | **7/2020 - 6/2021**

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

System Attributes:

Apparent Losses:	44.819	MG/Yr
+ Real Losses:	510.917	MG/Yr
= Water Losses:	555.736	MG/Yr

? Unavoidable Annual Real Losses (UARL): 121.73 MG/Yr

Annual cost of Apparent Losses: \$324,935

Annual cost of Real Losses: \$460,240

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: 44.5%
 Non-revenue water as percent by cost of operating system: 20.6% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 10.57 gallons/connection/day
 Real Losses per service connection per day: 120.51 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 1.23 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 510.92 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 4.20

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

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601
www.bjmpe.com

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA
HALEY S. SLAGLE, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Lenoir City Utilities Board
Lenoir City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lenoir City Utilities Board ("the Utilities Board"), an enterprise fund of the City of Lenoir City, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lenoir City Utilities Board's basic financial statements, and have issued our report thereon dated March 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utilities Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lenoir City Utilities Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities Board's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenoir City Utilities Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Brown Lake + McDaniel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
March 4, 2022

LENOIR CITY UTILITIES BOARD
Summary Schedule of Prior Audit Findings

There were no prior year findings.