

*Financial Statements*

CITY OF SWEETWATER, TENNESSEE

Year Ended June 30, 2019

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweetwater, Tennessee as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Sweetwater, Tennessee's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We did not audit the financial statements of the electric fund, the natural gas fund, or the water and sewer fund, which represent 100 percent of the assets, net position and revenue of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for proprietary funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweetwater, Tennessee as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund, general purpose school fund, school cafeteria fund, school capital project fund, school federal project fund, state street aid fund, and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15 and the schedule of changes in net pension liability(asset) and related ratios on pages 135 to 138, the schedule of proportionate share of the net pension liability(asset) on pages 139 to 142, the schedule of changes in net OPEB liability and related ratios on pages 143 to 144, the schedule of pension contributions on pages 145 to 149, and the notes to pension contributions on pages 150 to 151 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sweetwater, Tennessee's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of investments, property taxes receivable, long-term debt requirements, operations expenses – proprietary funds, distribution and maintenance expenses – proprietary funds, expenditures of federal awards and state financial assistance and changes in long-term debt by individual issue are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the combining and individual nonmajor fund financial statements, schedules of investments, property taxes receivable, long-term debt requirements, operations expenses – proprietary funds, distribution and maintenance expenses – proprietary funds, expenditures of federal awards and state financial assistance and changes in long-term debt by individual issue are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of principal officials, utility rates and metered customers - electric fund, utility rates and metered customers – natural gas fund, utility rates and metered customers – water and sewer fund, water utility reporting worksheet and water utility performance indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2020, on our consideration of City of Sweetwater, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sweetwater, Tennessee's internal control over financial reporting and compliance.

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

April 8, 2020

## **Management's Discussion and Analysis For the Year Ended June 30, 2019**

The management of City of Sweetwater, Tennessee (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019.

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

### **FINANCIAL HIGHLIGHTS**

The following are key financial highlights:

- The net position of the City at June 30, 2019 was \$76,371,523 (\$71,275,923 in 2018). Of this amount, \$19,802,565 may be used to meet the City's ongoing obligations to citizens and creditors (\$18,260,569 in 2018).
- The City's net position increased by \$5,095,601 (7.1%) during the year ended June 30, 2019 and increased by \$5,227,578 (7.9%), during the year ended June 30, 2018.
- At June 30, 2019 the City's governmental funds reported combined ending fund balances of \$8,258,168, an increase of \$1,395,097 for the year ending June 30, 2018. Approximately 20% of this total amount (\$1,656,502) is available for spending at the City's discretion. At June 30, 2018 combined ending fund balances for governmental funds was \$6,863,071 a decrease of \$65,993 from June 30, 2017.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The governmental activities of the City include the following:

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

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

The government-wide financial statements can be found on pages 16 to 22 of this report.

### **Fund financial statements**

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirement. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information present for *governmental funds* with similar information present for *governmental activities* in the government-wide financial statements.

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

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

The City adopts annual appropriation budgets for each of its governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all of the City's major funds and are presented on pages 34 to 54. Budget comparisons for nonmajor funds are included as supplementary information on pages 158 to 163.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution operation, gas, and water and sewer operations, all three of which are considered to be major funds of the City. The proprietary fund financial statements can be found on pages 55 to 68 of this report.

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

***Other information*** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information is included in this MD&A. Also, the City's changes in net pension liability(asset) in funding its obligation to provide pension benefits and other post-employment benefits to its employees is included as required supplementary information on pages 135 to 138 of this report.

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

### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The City's net position was \$76,371,524 at June 30, 2019 and \$71,275,923 at June 30, 2018.

The largest portion of the City's net position (65%) reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens so these assets are not available for future spending.

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

At June 30, 2019 and 2018 the City’s statement of net position consisted of the following:

A portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$18,739,902 and \$18,260,569, at June 30, 2019 and 2018, respectively) may be used to meet the City’s ongoing obligations to citizens and creditors.

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets	\$ 34,049,687	\$ 31,849,130
Capital assets, net of accumulated depreciation	<u>66,206,596</u>	<u>62,028,457</u>
<b>TOTAL ASSETS</b>	100,256,283	93,877,587
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension and other postemployment benefits	<u>4,772,858</u>	<u>4,218,726</u>
	<u>\$ 105,029,143</u>	<u>\$ 98,096,314</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 9,846,153	\$ 9,166,061
Noncurrent liabilities	<u>16,210,941</u>	<u>13,984,178</u>
<b>TOTAL LIABILITIES</b>	26,057,094	23,150,239
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes collected in advance	2,002,500	1,967,415
Deferred inflows related to other postemployment benefits	175,778	6,320,418
Deferred inflows related to pension	<u>422,247</u>	<u>1,702,737</u>
	2,600,525	3,670,152

**NET POSITION**

Net investment in capital assets	49,520,323	46,585,096
Restricted	7,048,635	6,320,418
Unrestricted	<u>19,802,565</u>	<u>18,370,408</u>

**TOTAL NET POSITION**      76,371,523      71,275,923

\$ 105,029,143      \$ 98,096,314

At June 30, 2019 and 2018, the City was able to report positive balances in all categories of net position.

Following is a summary of financial activities for the City during the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>		
Program Revenue:		
Fees, fines and charges for services	\$ 32,253,414	\$ 31,630,401
Operating grants and contributions	10,752,250	10,658,876
Capital grants and contributions	422,538	889,500
General Revenue:		
Taxes	7,896,560	7,180,033
Intergovernmental	1,258,476	1,529,840
Investment earnings	195,487	126,712
Insurance recovery	62,849	58,118
Sale of materials and supplies	22,665	53,446
Miscellaneous	<u>44,928</u>	<u>34,927</u>
<b>TOTAL REVENUE</b>	52,909,167	52,161,853

**EXPENSES**

General government	1,785,150	1,252,226
Public safety	2,545,466	2,485,289
Public welfare	954,254	1,021,130
Streets and highways	1,112,419	1,102,666
Education	12,403,742	12,692,795
Solid waste collection and disposal	304,827	291,336
Interest on long-term debt	46,554	56,953
Electric	23,562,729	23,355,991
Natural gas	2,096,187	1,820,879
Water and sewer	<u>3,002,238</u>	<u>2,855,010</u>

	<u>2019</u>	<u>2018</u>
<b>TOTAL EXPENSES</b>	<u>47,813,566</u>	<u>46,934,275</u>
<b>INCREASE IN NET POSITION</b>	5,095,601	5,227,578
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	71,166,084	65,938,506
Prior period adjustment	<u>109,839</u>	<u>0</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 76,371,523</u>	<u>\$ 71,166,084</u>

**Governmental activities** - Governmental activities increased the City's net position during the year ended June 30, 2019 by \$2,219,452. Governmental activities increased the City's net position by \$2,016,022 during the year ended June 30, 2018.

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

**Business-type activities** - Business-type activities increased the City's net position by \$2,876,149 for the year ended June 30, 2019, as compared to an increase of \$3,211,556 for the year ended June 30, 2018. The electric department, gas department and water and sewer department contributed to the increase.

The change in net position of the electric department was a increase of \$1,221,652. The increase was the result of an increase in electric energy sales that was more than offset the increased cost of power purchased from TVA, an increase in maintenance expenses, and those increases were partially offset by a decrease in other operations expenses.

The change in net position of the gas department was \$517,252, as compared to the change in net position for the year ending June 30, 2018 of \$572,712.

The change in net position of the water and sewer department was \$1,137,245. The change in net position of the water and sewer department for the year ending June 30, 2018 was \$1,576,955.

During the year ended June 30, 2019 the Electric Department corrected its beginning net position due to the actuary for the OPEB trust correcting the plan fiduciary net position balances at June 30, 2018, upon issuance of his valuation report for the fiscal year beginning July 1, 2017. This change increased net position by \$76,326.

During the year ended June 30, 2019 the Gas Department corrected its beginning net position due to the actuary for the OPEB trust correcting the plan fiduciary net position balances at June 30, 2018, upon issuance of his valuation report for the fiscal year beginning July 1, 2018. This change increased net position by \$9,600.

During the year ended June 30, 2019 the Water and Sewer Department corrected its beginning net position due to the actuary for the OPEB trust correcting the plan fiduciary net position balances at June 30, 2018, upon issuance of his valuation report for the fiscal year beginning July 1, 2017. This change increased net position by \$23,912.

## **Fund Financial Statements**

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

**Governmental Funds** – Unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. At June 30, 2019 the City's governmental funds reported combined fund balances of \$8,258,168, an increase of \$1,395,097 in comparison with the prior year. Approximately 20% of the fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been committed to the City's special projects fund (\$77,360), highway and street improvements fund (\$432,953), drug enforcement fund (\$51,773), capital projects fund (\$1,554), the City's economic development fund (\$152,039), the City's school general purpose fund (\$5,616,575), the City's school cafeteria fund (\$191,116), and the City's library fund (\$45,759).

The general fund is the chief operating fund of the City. At June 30, 2019 unassigned fund balance of the general fund was \$1,591,828. As a matter of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The City's general fund balance increased \$469,909 during the year ended June 30, 2019.

At June 30, 2019 the City has a restricted fund balance of \$5,807,691, the breakdown is as follows: school general purpose fund - \$5,616,575; school cafeteria fund - \$191,116; school federal project fund - \$0. The net decrease in this restricted fund balance during the current year was \$512,727. Due to GASB 54, all of the City's school fund balance is reflected as restricted funds for the governmental funds of the City. The City's school general ledger can provide additional information and is maintained by the school finance officer Janet Collins.

Nonmajor governmental funds had a fund balance of \$231,280 at June 30, 2019, as compared to \$203,353 at June 30, 2018.

**Proprietary funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sweetwater Utilities Board amounted to \$16,074,966 at June 30, 2019, and at June 30, 2018 amounted to \$16,381,361. Sweetwater Utilities Board's general ledger can provide additional information and is maintained by finance officer Jan Broyles.



## GENERAL FUND BUDGETARY HIGHLIGHTS

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2019, amounted to \$66,206,596 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

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

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

The City's investment in capital assets as of June 30, 2019 for governmental activities was \$24,073,544 (\$22,849,069 in 2018) net of accumulated depreciation.

	<u>2019</u>	<u>2018</u>
Land	\$ 865,274	\$ 850,274
Construction in Progress	3,784,581	1,484,419
Buildings and improvements	27,376,095	27,317,049
Vehicles and equipment	7,072,662	6,886,695
Infrastructure	4,574,332	4,958,652
Accumulated depreciation	<u>(19,599,401)</u>	<u>(18,648,020)</u>
<b>Total Capital Assets,</b>		
<b>Net of Accumulated Depreciation</b>	<u>\$ 24,073,544</u>	<u>\$ 22,849,069</u>

The City's net investment in capital assets as of June 30, 2019 for business-type activities was \$42,133,052 (\$39,179,387 in 2018). Additional information on the City's capital assets can be found on pages 84 to 88 of the notes to the financial statements.

## DEBT

At June 30, 2019 the City's proprietary funds had outstanding debt of \$10,144,347 (\$9,296,871 in 2018). During the year ended June 30, 2019 the City issued \$1,746,924 in new debt and retired \$899,448 (\$848,759 in 2018) of debt of its business-type activities. The proprietary fund debt is backed by the full faith and credit of the City.

At June 30, 2019 the City's governmental funds had outstanding debt of \$7,559,545 (\$6,146,490 in 2018) consisting of the following:

	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 7,559,545	\$ 6,146,490
Less: current portion due	<u>(533,629)</u>	<u>(472,276)</u>
Total long-term debt principal	<u>\$ 7,025,917</u>	<u>\$ 5,674,214</u>

During the year ended June 30, 2019 the City issued \$1,946,300 in new debt and retired \$533,244 (\$497,361 in 2018) of debt of its governmental funds.

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

Additional information on the City's long-term debt can be found on pages 167 to 178 of the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Utility is planning for a rehabilitation project on the Powell Street Substation with a budget of \$1,000,000 in 2020. Current electric rates are listed on pages 158-160

The cost of natural gas remains volatile. However, with the Utility being a member of MEAC (Municipal Energy Acquisition Corporation) some natural gas can be purchased at a reduced rate. The City also is in frequent contact with their marketer, CenterPoint Energy, and has the resources to store natural gas when the price is low. Current gas rates are listed on page 161.

The Water and Sewer Department will perform a tank rehabilitation project during the 2020 fiscal year with a budget of \$300,000. Current water and sewer rates are listed on page 162.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

Jessica Morgan, City Recorder  
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[jmorgan@sweetwatertn.net](mailto:jmorgan@sweetwatertn.net)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF NET POSITION**

June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 8,201,267	\$ 13,523,329	\$ 21,724,596
Certificates of deposit	100,000	1,898,000	1,998,000
Accounts receivable, net of allowance for uncollectible accounts	87,809	2,079,375	2,167,184
Property taxes receivable	2,587,112	0	2,587,112
Taxes receivable	3,089	0	3,089
Due from other governments	603,317	0	603,317
Net pension asset	1,447,644	0	1,447,644
Customer loan program	0	1,639,169	1,639,169
Interest receivable	0	2,955	2,955
Grants receivable	241,075	0	241,075
Other	0	153,024	153,024
Sweetwater Utilities Board - Electric Department	0	45,268	45,268
Inventories	0	749,852	749,852
Interfund balances	(9,256)	9,256	0
Prepaid expenses	0	356,976	356,976
Note receivable-customer loan program	0	157,244	157,244
Pension trust contributions	15,882	0	15,882
Other postemployment benefit asset	0	168,573	168,573
Renewal and replacement fund	0	824,000	824,000
Unemployment security fund	0	8,000	8,000
Self insurance fund	0	220,000	220,000
Capital assets not being depreciated	4,649,856	4,076,657	8,726,513
Capital assets being depreciated, net of accumulated depreciation	19,423,688	38,056,395	57,480,083
	<u>37,351,483</u>	<u>63,968,073</u>	<u>101,319,558</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 967,166	\$ 2,504,465	\$ 3,471,631
Accrued salaries	19,761	0	19,761
Customer deposits	0	1,108,940	1,108,940
Accrued expenses	0	1,156,103	1,156,103
Net pension liability	0	2,596,765	2,596,765
Current portion of long-term debt	533,629	959,323	1,492,952
Long-term debt, net of current portion	<u>7,025,917</u>	<u>9,185,024</u>	<u>16,210,941</u>
	8,546,474	17,510,620	26,057,094
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred tax revenue	2,002,500	0	2,002,500
Deferred inflows related to other postemployment benefits	0	175,778	175,778
Deferred inflows related to pension	<u>1,183,189</u>	<u>302,331</u>	<u>1,485,520</u>
	3,185,689	478,109	3,663,798

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF NET POSITION**

(continued)

June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	<u>1,502,338</u>	<u>3,270,520</u>	<u>4,772,858</u>
	<u>\$ 38,853,823</u>	<u>\$ 67,238,593</u>	<u>\$ 106,092,416</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>NET POSITION</b>			
Net investment in capital assets	16,513,998	33,006,325	49,520,323
Restricted	6,880,062	168,573	7,048,635
Unrestricted	<u>3,727,599</u>	<u>16,074,966</u>	<u>19,802,565</u>
	<u>27,121,659</u>	<u>49,249,864</u>	<u>76,371,523</u>
	<u>\$ 38,853,823</u>	<u>\$ 67,238,593</u>	<u>\$ 106,092,416</u>



CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government	\$ 1,400,830	\$ 125,133	\$ 0	\$ 0
Public safety	2,545,466	117,742	25,851	0
Public welfare	954,254	42,618	168,115	210,863
Streets and highways	1,112,419	28,189	211,064	28,019
Waste management	304,827	298,985	0	0
Education	12,403,742	140,450	10,347,220	0
Interest on long-term debt	<u>46,554</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	18,768,092	753,117	10,752,250	238,882
<b>Business-Type Activities:</b>				
Electric	23,562,729	25,164,761	0	0
Natural gas	2,096,187	2,613,329	0	0
Water and sewer	<u>3,002,238</u>	<u>3,722,207</u>	<u>0</u>	<u>10,199</u>
Total business-type activities	<u>28,661,154</u>	<u>31,500,297</u>	<u>0</u>	<u>10,199</u>
	<u>\$ 47,429,246</u>	<u>\$ 32,253,414</u>	<u>\$ 10,752,250</u>	<u>\$ 249,081</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and  
Changes In Net Position

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Governmental Activities	Business-Type Activities	Totals
\$ (1,275,697)	\$ 0	\$ (1,275,697)
(2,401,873)	0	(2,401,873)
(532,658)		(532,658)
(845,147)	0	(845,147)
(5,842)		(5,842)
(1,916,072)	0	(1,916,072)
(46,554)	0	(46,554)
(7,023,843)	0	(7,023,843)
0	1,602,032	1,602,032
0	517,142	517,142
0	730,168	730,168
0	2,849,342	2,849,342
<u>\$ (7,023,843)</u>	<u>\$ 2,849,342</u>	<u>\$ (4,174,501)</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF ACTIVITIES**

(continued)

Year Ended June 30, 2019

**NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES**

**General Revenue:**

Taxes:

Property tax

Interest and penalty

Local sales tax

Business tax

Wholesale beer tax

Liquor tax

Occupancy tax

Franchise tax

Intergovernmental

Interest earnings

Insurance recovery

Sale of materials and supplies

Miscellaneous

Total general revenue

Transfers

Total general revenue and transfers

**CHANGES IN NET POSITION**

**NET POSITION AT THE BEGINNING OF THE YEAR, as restated**

**NET POSITION AT THE END OF THE YEAR**

Net (Expense)Revenue and  
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (7,023,843)	\$ 2,849,342	\$ (4,174,501)
3,237,757	0	3,237,757
35,901	0	35,901
3,924,524	0	3,924,524
213,730	0	213,730
237,181	0	237,181
51,139	0	51,139
32,537	0	32,537
84,274	0	84,274
1,047,613	0	1,047,613
79,517	195,487	275,004
62,849	0	62,849
22,665	0	22,665
44,928	0	44,928
9,074,615	195,487	9,270,102
168,680	(168,680)	0
9,243,295	26,807	9,270,102
2,219,452	2,876,149	5,095,601
24,902,208	46,373,715	71,275,923
<u>\$ 27,121,659</u>	<u>\$ 49,249,864</u>	<u>\$ 76,371,523</u>

CITY OF SWEETWATER, TENNESSEE

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 1,481,318	\$ 395,616	\$ 62,599	\$ 231,889
Certificates of deposit	100,000	0	0	0
Accounts receivable	87,809	0	0	0
Property taxes receivable	2,587,112	0	0	0
Other taxes receivable	3,089	0	0	0
Grant receivable	210,863	24,083	0	6,129
Pension trust contributions	0	0	0	0
Due from other funds	0	0	0	0
Due from other governments	<u>49,293</u>	<u>17,871</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,519,485</u>	<u>\$ 437,570</u>	<u>\$ 62,599</u>	<u>\$ 238,018</u>

See the accompanying notes to the financial statements.

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
\$ 5,752,477	\$ 212,086	\$ 0	\$ 65,282	\$ 8,201,267
0	0	0	0	100,000
0	0	0	0	87,809
0	0	0	0	2,587,112
0	0	0	0	3,089
0	0	0	0	241,075
15,882	0	0	0	15,882
35,697	0	0	0	35,697
<u>344,170</u>	<u>19,899</u>	<u>172,083</u>	<u>0</u>	<u>603,317</u>
<u>\$ 6,148,227</u>	<u>\$ 231,985</u>	<u>\$ 172,083</u>	<u>\$ 65,282</u>	<u>\$ 11,875,249</u>

CITY OF SWEETWATER, TENNESSEE

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

(continued)

June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 255,840	\$ 4,617	\$ 10,826	\$ 6,737
Accrued salaries	0	0	0	0
Due to other funds	<u>9,256</u>	<u>0</u>	<u>0</u>	<u>0</u>
	265,096	4,617	10,826	6,737
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred tax revenue	2,585,200	0	0	0
<b>FUND BALANCES</b>				
Restricted	77,360	432,953	51,773	186,130
Assigned	0	0	0	45,759
Unassigned	<u>1,591,828</u>	<u>0</u>	<u>0</u>	<u>(608)</u>
	<u>1,669,188</u>	<u>432,953</u>	<u>51,773</u>	<u>231,280</u>
	<u>\$ 4,519,485</u>	<u>\$ 437,570</u>	<u>\$ 62,599</u>	<u>\$ 238,018</u>

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
\$ 517,062	\$ 0	\$ 172,083	\$ 0	\$ 967,166
14,590	5,172	0	0	19,761
0	35,697	0	0	44,953
<u>531,652</u>	<u>40,869</u>	<u>172,083</u>	<u>0</u>	<u>1,031,881</u>
0	0	0	0	2,585,200
5,616,575	191,116	0	0	6,555,907
0	0	0	0	45,759
0	0	0	65,282	1,656,502
<u>5,616,575</u>	<u>191,116</u>	<u>0</u>	<u>65,282</u>	<u>8,258,168</u>
<u>\$ 6,148,227</u>	<u>\$ 231,985</u>	<u>\$ 172,083</u>	<u>\$ 65,282</u>	<u>\$ 11,875,249</u>



CITY OF SWEETWATER, TENNESSEE

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

June 30, 2019

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 8,258,168</b>
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	24,073,544
Net pension assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	
Net pension asset/liability	384,371
Deferred outflows of resources	1,502,338
Deferred inflows of resources	(119,916)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(7,559,546)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	<u>582,700</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 27,121,659</u></b>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
<b>REVENUE</b>				
Taxes:				
Property taxes	\$ 1,936,786	\$ 0	\$ 0	\$ 0
Interest and penalty	27,561	0	0	0
Local sales tax	2,765,921	0	0	0
Business tax	139,913	0	0	0
Mixed drink tax	47,542	0	0	0
Franchise tax	84,274	0	0	0
Occupancy tax	0	0	0	32,537
Wholesale beer tax	237,181	0	0	0
Intergovernmental	982,419	239,083	0	64,767
Licenses and permits	38,379	0	0	0
Receipts for use of facilities	49,800	0	0	0
Fines and forfeitures	32,339	0	22,842	0
Charges for service	472,586	0	0	9,422
Other revenue	<u>102,442</u>	<u>0</u>	<u>7,095</u>	<u>59,962</u>
<b>TOTAL REVENUE</b>	<b>6,917,144</b>	<b>239,083</b>	<b>29,937</b>	<b>166,688</b>
<b>EXPENDITURES</b>				
Current:				
General government	913,580	0	0	65,728
Public safety	2,538,250	0	7,720	0
Public welfare	711,345	0	0	189,870
Highways and streets	999,186	73,445	0	0
Waste management	304,827	0	0	0
Education	18,077	0	0	0
Capital outlay	682,505	77,169	0	0
Debt service	<u>266,798</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<b><u>6,434,568</u></b>	<b><u>150,614</u></b>	<b><u>7,720</u></b>	<b><u>255,598</u></b>

See the accompanying notes to the financial statements.

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
\$ 1,278,214	\$ 0	\$ 0	\$ 0	\$ 3,215,000
8,340	0	0	0	35,901
1,158,603	0	0	0	3,924,524
73,816	0	0	0	213,730
3,597	0	0	0	51,139
0	0	0	0	84,274
0	0	0	0	32,537
0	0	0	0	237,181
8,886,958	706,453	990,951	0	11,870,630
0	0	0	0	38,379
80	0	0	0	49,880
0	0	0	0	55,181
0	130,621	0	0	612,628
<u>184,856</u>	<u>2,626</u>	<u>0</u>	<u>11,773</u>	<u>368,754</u>
11,594,464	839,699	990,951	11,773	20,789,738
0	0	0	0	979,308
0	0	0	0	2,545,970
0	0	0	0	901,215
0	0	0	0	1,072,631
0	0	0	0	304,827
10,777,824	853,132	990,951	0	12,639,984
187,630	0	0	1,789,660	2,736,963
446,243	0	0	0	713,041
<u>11,411,698</u>	<u>853,132</u>	<u>990,951</u>	<u>1,789,660</u>	<u>21,893,941</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	482,576	88,469	22,217	(88,910)
<b>OTHER FINANCING SOURCES(USES)</b>				
Note proceeds	158,073	0	0	0
Transfers (to)from other funds	<u>(138,838)</u>	<u>0</u>	<u>0</u>	<u>116,838</u>
	<u>19,235</u>	<u>0</u>	<u>0</u>	<u>116,838</u>
<b>EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)</b>	501,811	88,469	22,217	27,928
<b>FUND BALANCE(DEFICIT) AT THE BEGINNING OF THE YEAR, as restated</b>	<u>1,167,377</u>	<u>344,484</u>	<u>29,557</u>	<u>203,353</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 1,669,188</u>	<u>\$ 432,953</u>	<u>\$ 51,773</u>	<u>\$ 231,280</u>

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
182,766	(13,433)	0	(1,777,886)	(1,104,203)
0	0	0	1,788,227	1,946,300
<u>490,343</u>	<u>0</u>	<u>0</u>	<u>84,657</u>	<u>553,000</u>
<u>490,343</u>	<u>0</u>	<u>0</u>	<u>1,872,884</u>	<u>2,499,300</u>
673,109	(13,433)	0	94,997	1,395,097
<u>4,943,466</u>	<u>204,549</u>	<u>0</u>	<u>(29,716)</u>	<u>6,863,071</u>
<u>\$ 5,616,575</u>	<u>\$ 191,116</u>	<u>\$ 0</u>	<u>\$ 65,282</u>	<u>\$ 8,258,168</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

<b>Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<b>\$ 1,395,097</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Acquisition of capital assets	2,343,847
Depreciation expense	(1,134,540)
Gain on disposal of capital asset	15,165
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	834,507
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds financial statements:	
Deferred tax revenue - June 30, 2018	(559,943)
Deferred tax revenue - June 30, 2019	582,700
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	155,674
Long-term debt provides current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for the governmental activities.	(1,946,300)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>533,244</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 2,219,452</u></u></b>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUE</b>				
Taxes:				
Property taxes	\$ 1,863,360	\$ 1,863,360	\$ 1,936,786	\$ 73,426
Interest and penalty	20,000	20,000	27,561	7,561
Local sales tax	2,430,000	2,430,000	2,765,921	335,921
Business tax	135,000	135,000	139,913	4,913
Mixed drink tax	60,000	60,000	47,542	(12,458)
Franchise tax	84,600	84,600	84,274	(326)
Wholesale beer tax	270,000	270,000	237,181	(32,819)
	<u>4,862,960</u>	<u>4,862,960</u>	<u>5,239,179</u>	<u>376,219</u>
Intergovernmental:				
State income tax	20,000	20,000	23,078	3,078
State beer tax	3,000	3,000	2,782	(218)
State mixed drink tax	3,100	3,100	4,474	1,374
State sales tax	510,000	510,000	534,761	24,761
State police supplement	23,000	23,000	22,351	(649)
Corporate excise tax	13,200	13,200	12,662	(538)
Bulletproof vest grant	1,500	1,500	551	(949)
FEMA equipment grant	0	40,000	34,209	(5,791)
Other local grant	175,000	175,000	221,563	46,563
TML safety grant	1,500	1,500	3,500	2,000
In-lieu of tax payments	85,900	85,900	102,254	16,354
Community development grants	10,000	10,000	8,302	(1,698)
Highways and streets	12,000	12,000	11,933	(67)
	<u>858,200</u>	<u>898,200</u>	<u>982,419</u>	<u>84,219</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Licenses and permits:				
Beer licenses	8,000	8,000	4,109	(3,891)
Liquor licenses	1,000	1,000	500	(500)
Animal registration	2,000	2,000	1,480	(520)
Special assessments	15,000	15,000	3,100	(11,900)
General and special privilege	100	100	40	(60)
Building permits	30,000	30,000	29,150	(850)
	<u>56,100</u>	<u>56,100</u>	<u>38,379</u>	<u>(17,721)</u>
Receipts for use of facilities:				
Utility office rent	36,000	36,000	36,000	0
Medical transportation rent	13,800	13,800	13,800	0
	<u>49,800</u>	<u>49,800</u>	<u>49,800</u>	<u>0</u>
Fines and forfeitures	25,500	25,500	32,339	6,839
Charges for service:				
Photocopies	1,100	1,100	2,567	1,467
Highway and street charges	30,000	30,000	28,189	(1,811)
Clerks' fee-business tax	20,000	20,000	23,912	3,912
City garage charges	2,000	2,000	2,230	230
Board of Education	11,000	11,000	8,245	(2,755)
Pool fees and concessions	36,500	36,500	33,046	(3,454)
Recreation program	500	500	150	(350)
Sale of materials and land	13,000	13,000	12,701	(299)
Special police service	64,000	64,000	62,561	(1,439)
Solid waste collection fees	300,000	300,000	298,985	(1,015)
	<u>478,100</u>	<u>478,100</u>	<u>472,586</u>	<u>(5,514)</u>



CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other revenue:				
Contributions	1,100	1,100	71,891	70,791
Interest	3,000	3,000	10,744	7,744
Insurance recoveries	1,100	1,100	3,400	2,300
Miscellaneous revenue	4,000	4,000	16,407	12,407
	<u>9,200</u>	<u>9,200</u>	<u>102,442</u>	<u>93,242</u>
<b>TOTAL REVENUE</b>	6,339,860	6,379,860	6,917,144	537,284
<b>EXPENDITURES</b>				
Judicial:				
Salaries	2,472	2,472	2,400	(72)
OASDI	200	200	184	(16)
Retirement	179	179	170	(9)
	<u>2,851</u>	<u>2,851</u>	<u>2,754</u>	<u>(97)</u>
Executive:				
Salaries and wages	30,900	30,900	31,247	347
OASDI	2,800	2,800	2,731	(69)
Retirement	2,200	2,200	1,789	(411)
Publicity and subscriptions	8,000	8,000	7,960	(40)
Legal services	8,000	8,100	8,056	(44)
Travel	1,000	1,000	607	(393)
Operating supplies	4,300	4,300	4,361	61
Other services	9,800	13,800	14,284	484
Community health	6,000	7,500	7,500	0
	<u>73,000</u>	<u>78,600</u>	<u>78,534</u>	<u>(66)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Financial administration:				
Salaries	185,116	185,116	185,178	62
OASDI	13,884	13,884	12,652	(1,232)
Health insurance	38,508	38,508	37,554	(954)
Retirement	13,058	13,058	13,062	4
Life insurance	208	208	202	(6)
Unemployment insurance	360	360	104	(256)
Dental insurance	1,200	1,200	1,212	12
Disability insurance	545	545	538	(7)
Vision insurance	261	261	242	(19)
Telephone	6,000	6,000	6,661	661
Accounting	22,100	22,100	22,000	(100)
Legal	500	500	0	(500)
Office supplies and postage	11,500	12,500	7,987	(4,513)
Surety bonds	3,500	3,500	634	(2,866)
Travel	6,000	9,000	6,845	(2,155)
Machinery and equipment	4,250	5,550	4,562	(988)
Other improvements	8,000	8,000	5,780	(2,220)
Data processing	<u>40,000</u>	<u>40,000</u>	<u>40,257</u>	<u>257</u>
	354,990	360,290	345,469	(14,821)
Tax administration:				
Data processing	4,000	4,000	3,129	(871)
General government buildings:				
Utilities	23,000	23,000	20,975	(2,025)
Repairs	30,000	33,000	32,022	(978)
Operating supplies	<u>3,000</u>	<u>4,000</u>	<u>4,209</u>	<u>209</u>
	56,000	60,000	57,205	(2,795)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Tourism:				
Salaries	16,500	16,500	16,473	(27)
OASDI	1,238	1,238	1,260	22
Unemployment insurance	90	90	52	(38)
Utilities	5,800	6,800	6,776	(24)
Other operating supplies	<u>7,000</u>	<u>25,000</u>	<u>22,858</u>	<u>(2,142)</u>
	30,628	49,628	47,419	(2,209)
Other general government:				
Salaries	74,555	79,555	79,803	248
OASDI	5,592	6,092	6,072	(20)
Retirement	2,824	2,824	4,044	1,220
Health insurance	22,700	26,200	25,963	(237)
Dental, vision and life insurance	856	856	828	(28)
Unemployment insurance	180	180	66	(114)
Disability insurance	287	287	269	(18)
Other insurance	220,000	235,000	217,553	(17,447)
Memberships and registration fees	1,840	1,840	1,680	(160)
Utilities, phone and TV service	7,300	7,550	6,939	(611)
Medical services	1,000	1,000	831	(169)
Travel and training	2,000	5,000	797	(4,203)
Uniforms	350	350	0	(350)
Other operating supplies	17,250	18,250	25,474	7,224
Charitable donations	17,500	17,500	23,675	6,175
CDBG grant funding	10,000	12,000	11,932	(68)
Christmas decorations	6,000	6,500	6,212	(288)
Independence Day	<u>2,000</u>	<u>2,000</u>	<u>14,350</u>	<u>12,350</u>
	392,234	422,984	426,489	3,505

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Police department:				
Salaries	1,038,806	1,041,806	973,564	(68,242)
OASDI	77,910	77,910	71,973	(5,937)
Retirement	68,061	68,061	60,216	(7,845)
Health insurance	194,044	194,044	183,074	(10,970)
Dental, vision and life insurance	9,410	9,410	8,376	(1,034)
Unemployment insurance	2,100	2,100	587	(1,513)
Disability insurance	2,800	2,800	2,621	(179)
Telephone	13,000	13,000	16,105	3,105
Medical services	2,000	2,000	2,147	147
Car maintenance	15,000	20,000	18,498	(1,502)
Publicity/subscriptions	500	500	0	(500)
Travel and training	7,500	7,500	7,133	(367)
Uniforms	8,000	10,500	9,319	(1,181)
Firearms and supplies	10,000	12,000	19,432	7,432
Gas, oil and grease	29,000	41,000	40,103	(897)
Office supplies and materials	4,500	5,250	4,465	(785)
Special investigative	5,500	5,500	5,251	(249)
Data processing services	7,000	7,000	6,650	(350)
Other operating supplies	21,400	23,400	10,867	(12,533)
	<u>1,516,531</u>	<u>1,543,781</u>	<u>1,440,382</u>	<u>(103,399)</u>
Sanitation department:				
Contractual services	258,000	260,000	259,292	(708)
Landfill services	35,100	45,100	45,535	435
	<u>293,100</u>	<u>305,100</u>	<u>304,827</u>	<u>(273)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Over (Under)
Fire department:				
Salaries	632,726	635,826	625,264	(10,562)
OASDI	45,000	45,000	45,764	764
Retirement	43,866	43,866	41,920	(1,946)
Health insurance	125,236	125,236	122,441	(2,795)
Dental, vision and life insurance	5,420	5,420	5,339	(81)
Unemployment insurance	1,350	1,350	293	(1,057)
Disability insurance	1,921	1,921	1,753	(168)
Utilities	14,000	15,500	15,172	(328)
Telephone	6,500	11,700	12,128	428
Fire hydrant rental	28,000	28,000	25,080	(2,920)
Medical services	5,000	5,000	1,823	(3,177)
Maintenance	18,000	33,000	31,704	(1,296)
Travel and training	6,000	9,500	9,516	16
Uniforms	5,000	9,100	9,030	(70)
Gas, oil and grease	6,000	9,500	9,362	(138)
Other operating supplies	32,700	76,300	60,517	(15,783)
	<u>976,719</u>	<u>1,056,219</u>	<u>1,017,106</u>	<u>(39,113)</u>
Communications services:				
Contract services	70,700	70,700	70,700	0
Utilities	3,400	15,400	3,410	(11,990)
Other improvements	15,000	15,000	6,652	(8,348)
	<u>89,100</u>	<u>101,100</u>	<u>80,762</u>	<u>(20,338)</u>
Building inspection:				
Salaries	96,002	96,002	87,041	(8,961)
OASDI	7,200	7,200	6,564	(636)
Retirement	6,763	6,763	4,484	(2,279)
Health insurance	19,254	19,254	17,995	(1,259)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Dental, vision and life insurance	827	827	794	(33)
Unemployment insurance	270	270	64	(206)
Disability insurance	295	295	258	(37)
Telephone	3,750	3,750	2,189	(1,561)
Travel and training	3,500	3,500	8,449	4,949
Uniforms	750	750	183	(567)
Gas, oil and grease	1,300	1,300	895	(405)
State planning office	15,000	15,000	9,975	(5,025)
Office supplies	3,000	5,000	5,183	183
Professional services	3,425	3,425	1,456	(1,969)
Mowing assessments	35,000	35,000	22,806	(12,194)
Operating supplies	7,250	7,350	3,591	(3,759)
	203,586	205,686	171,928	(33,758)
Street lighting:				
Utilities	203,000	206,000	205,531	(469)
Highways and streets:				
Salaries	513,900	513,900	499,765	(14,135)
OASDI	38,168	38,168	36,211	(1,957)
Retirement	35,855	35,855	34,754	(1,101)
Health insurance	121,292	121,292	112,664	(8,628)
Dental, vision and life insurance	5,476	5,476	4,967	(509)
Unemployment insurance	1,200	1,200	253	(947)
Disability insurance	1,750	1,750	1,616	(134)
Utilities	6,500	6,500	6,806	306
Telephone	4,200	5,200	5,388	188
Feeding prisoners	4,000	4,000	3,995	(5)
Maintenance	20,000	30,000	26,683	(3,317)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Tools	2,000	3,000	2,901	(99)
Travel and training	1,000	1,000	104	(896)
Uniforms	3,500	3,500	3,543	43
Gas, oil and grease	27,000	37,000	36,598	(402)
Other operating supplies	13,500	17,500	17,407	(93)
	<u>799,341</u>	<u>825,341</u>	<u>793,654</u>	<u>(31,687)</u>
Rabies and animal control:				
Utilities	2,000	2,000	2,171	171
Operating supplies	2,000	2,000	800	(1,200)
	<u>4,000</u>	<u>4,000</u>	<u>2,971</u>	<u>(1,029)</u>
Economic development:				
Operating supplies	1,000	2,000	1,355	(645)
Travel and training	3,000	3,000	2,923	(77)
	<u>4,000</u>	<u>5,000</u>	<u>4,278</u>	<u>(722)</u>
Recreation:				
Salaries	261,659	265,159	270,067	4,908
OASDI	19,624	20,124	20,422	298
Retirement	16,877	16,877	14,765	(2,112)
Health insurance	58,060	58,060	56,209	(1,851)
Dental, vision and life insurance	1,760	1,760	2,346	586
Unemployment insurance	1,000	1,000	160	(840)
Disability insurance	735	735	800	65
Utilities	40,000	40,000	44,777	4,777
Telephone	5,000	5,000	5,410	410
Medical services	500	1,000	1,130	130
Repairs and maintenance	15,500	17,500	15,571	(1,929)
Travel and training	1,500	2,600	2,847	247

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
Feeding prisoners	4,000	5,500	5,027	(473)
Publicity/subscriptions	500	500	0	(500)
Donation for educational programs	3,000	3,000	3,000	0
Memberships and registration fees	800	800	680	(120)
Uniforms	1,500	2,150	2,131	(19)
Gas, oil and grease	7,500	11,100	11,022	(78)
Operating supplies	14,800	18,800	21,708	2,908
	454,315	471,665	478,072	6,407
Museum:				
Utilities	1,800	1,800	2,002	202
Repairs and maintenance	250	250	0	(250)
Operating supplies	250	250	0	(250)
	2,300	2,300	2,002	(298)
Tree grant:				
Utilities	3,000	3,000	2,676	(324)
Operating supplies	1,000	1,000	0	(1,000)
	4,000	4,000	2,676	(1,324)
Education:				
Gas, oil and grease	11,000	11,000	8,560	(2,440)
Operating supplies	6,500	9,000	9,517	517
	17,500	20,000	18,077	(1,923)
Conservation:	2,000	2,000	2,000	0



CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Over (Under)
Capital outlay:				
Recreation	378,000	378,000	501,432	123,432
General government	0	0	15,000	15,000
Police	0	0	158,073	158,073
Building inspections	1,000	1,000	0	(1,000)
Highways and streets	30,000	30,000	8,000	(22,000)
	<u>409,000</u>	<u>409,000</u>	<u>682,505</u>	<u>273,505</u>
Debt service:				
Bond principal	268,361	268,361	220,244	(48,117)
Interest expense on bonds	16,913	16,913	46,554	29,641
	<u>285,274</u>	<u>285,274</u>	<u>266,798</u>	<u>(18,476)</u>
<b>TOTAL EXPENDITURES</b>	<u>6,177,469</u>	<u>6,424,819</u>	<u>6,434,568</u>	<u>9,749</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	162,391	(44,959)	482,576	527,535
<b>OTHER FINANCING SOURCES(USES)</b>				
Note proceeds	0	0	158,073	158,073
Transfer from proprietary funds	553,000	553,000	553,000	0
Transfer from economic development fund	0	0	3,162	3,162
Transfer to library fund	(120,000)	(120,000)	(120,000)	0
Transfer to general purpose school fund	(575,000)	(575,000)	(575,000)	0
	<u>(142,000)</u>	<u>(142,000)</u>	<u>19,235</u>	<u>161,235</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)</b>	20,391	(186,959)	501,811	(688,770)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>186,959</u>	<u>1,167,377</u>	<u>980,418</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 20,391</u>	<u>\$ 0</u>	<u>\$ 1,669,188</u>	<u>\$ 1,669,188</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>REVENUE</b>				
State gasoline tax	\$ 200,000	\$ 200,000	\$ 211,064	\$ 11,064
Street resurfacing grant	<u>100,000</u>	<u>100,000</u>	<u>28,019</u>	<u>(71,981)</u>
<b>TOTAL REVENUE</b>	300,000	300,000	239,083	(60,917)
<b>EXPENDITURES</b>				
Operating supplies	2,000	4,000	4,277	277
Construction materials and supplies	29,000	44,000	30,598	(13,402)
Sign parts and supplies	3,000	3,000	6,489	3,489
Vehicle maintenance and repair	8,000	8,000	216	(7,784)
Equipment maintenance and repair	16,000	31,000	27,874	(3,126)
Street maintenance and repairs	82,000	82,000	3,991	(78,009)
Capital outlay	<u>160,000</u>	<u>160,000</u>	<u>77,169</u>	<u>(82,831)</u>
<b>TOTAL EXPENDITURES</b>	<u>300,000</u>	<u>332,000</u>	<u>150,614</u>	<u>(181,386)</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES</b>	0	(32,000)	88,469	120,469
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>32,000</u>	<u>344,484</u>	<u>312,484</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 432,953</u>	<u>432,953</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUE</b>				
Drug related fines	\$ 6,100	\$ 6,100	\$ 9,178	\$ 3,078
Forfeitures	7,000	7,000	13,663	6,663
Sale of materials and supplies	<u>0</u>	<u>0</u>	<u>7,095</u>	<u>7,095</u>
<b>TOTAL REVENUE</b>	<b>13,100</b>	<b>13,100</b>	<b>29,937</b>	<b>16,837</b>
<b>EXPENDITURES</b>				
Salaries	2,000	2,000	265	(1,735)
Professional services	100	100	495	395
Telephone	2,000	2,000	1,260	(740)
Operating supplies	1,000	1,500	1,613	113
Special investigation	5,000	5,000	2,128	(2,872)
Vehicle maintenance	1,500	1,500	0	(1,500)
Uniforms	500	500	59	(441)
Sundry	<u>1,000</u>	<u>1,000</u>	<u>1,899</u>	<u>899</u>
<b>TOTAL EXPENDITURES</b>	<b><u>13,100</u></b>	<b><u>13,600</u></b>	<b><u>7,720</u></b>	<b><u>(5,880)</u></b>
<b>(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>0</b>	<b>(500)</b>	<b>22,217</b>	<b>22,717</b>
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<b><u>0</u></b>	<b><u>500</u></b>	<b><u>29,557</u></b>	<b><u>29,057</u></b>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 51,773</u></b>	<b><u>\$ 51,773</u></b>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Over (Under)
<b>REVENUE</b>				
Intergovernmental revenue:				
Monroe County:				
Property tax-current	\$ 1,110,000	\$ 1,110,000	\$ 1,212,258	\$ 102,258
Property tax-prior year	75,000	75,000	65,956	(9,044)
Interest and penalty	10,000	10,000	8,340	(1,660)
Pick-up taxes	3,000	3,000	182	(2,818)
Business taxes, licenses, fines and fees	30,200	30,200	73,816	43,616
Local sales tax	860,200	860,200	1,158,603	298,403
State income tax	12,000	12,000	8,793	(3,207)
Mixed drink tax	1,100	1,100	3,597	2,497
State revenue sharing	100,000	100,000	100,000	0
In-Lieu of tax payments-TVA	12,000	12,000	1,857	(10,143)
In-Lieu of tax payments-other	53,700	53,700	126,861	73,161
	<u>2,267,200</u>	<u>2,267,200</u>	<u>2,760,262</u>	<u>493,062</u>
State of Tennessee:				
Basic Education Program	7,990,000	8,096,000	8,095,780	(220)
Coordinated school health	87,000	87,000	86,899	(101)
Early childhood education	294,398	308,988	297,171	(11,817)
School food services	900	900	826	(74)
Career ladder program	42,752	42,752	45,374	2,622
Other state education	13,000	96,740	123,215	26,475
	<u>8,428,050</u>	<u>8,632,380</u>	<u>8,649,265</u>	<u>16,885</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Over (Under)
Other revenue:				
Tuition	7,500	7,500	9,749	2,249
Interest on investments	2,000	2,000	55,201	53,201
Contributions	0	36,234	36,302	68
Rental income	4,500	4,500	80	(4,420)
Insurance recovery	25,000	25,000	59,449	34,449
Other	18,953	18,953	24,155	5,202
	<u>57,953</u>	<u>94,187</u>	<u>184,936</u>	<u>90,749</u>
<b>TOTAL REVENUE</b>	10,753,203	10,993,767	11,594,464	600,697
<b>EXPENDITURES</b>				
General purpose:				
Salaries	7,221,103	7,242,892	7,016,905	(225,987)
OASDI	552,617	554,740	496,113	(58,627)
Retirement	702,011	718,178	639,983	(78,195)
Employee insurance	1,199,957	1,212,035	1,142,286	(69,749)
Instructional supplies/materials	214,631	239,578	217,720	(21,858)
Other supplies and materials	9,226	14,951	13,740	(1,211)
Other contracted services	444,200	460,019	358,877	(101,142)
Communication	34,450	34,450	29,146	(5,304)
Travel	25,753	26,560	19,454	(7,106)
Maintenance and repair	207,500	217,895	61,580	(156,315)
Equipment	77,959	166,388	76,020	(90,368)
In-service/staff development	10,625	12,700	9,500	(3,200)
Dues and memberships	11,700	11,700	8,511	(3,189)
Insurance	122,929	140,595	133,085	(7,510)
Trustee's commission	45,000	45,000	40,919	(4,081)
Utilities	395,000	395,000	385,731	(9,269)
Disposal fees	23,000	23,000	19,187	(3,813)
Custodial supplies	30,000	30,000	21,644	(8,356)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance
	Original	Final		Over (Under)
Administrative equipment	6,000	52,930	7,580	(45,350)
Plant operation equipment	36,000	36,000	836	(35,164)
Gas and fuel	12,000	12,000	7,667	(4,333)
Internet connectivity	21,114	21,114	21,412	298
Other charges	<u>60,150</u>	<u>65,320</u>	<u>49,929</u>	<u>(15,391)</u>
	11,462,925	11,733,045	10,777,824	(955,221)
Capital outlay	0	0	187,630	187,630
Debt service:				
Bond principal	313,000	313,100	313,000	(100)
Interest expense on bonds	<u>175,000</u>	<u>175,000</u>	<u>133,243</u>	<u>(41,757)</u>
	<u>488,000</u>	<u>488,100</u>	<u>446,243</u>	<u>(41,857)</u>
<b>TOTAL EXPENDITURES</b>	<u>11,950,925</u>	<u>12,221,145</u>	<u>11,411,698</u>	<u>(809,447)</u>
<b>(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES</b>	(1,197,722)	(1,227,378)	182,766	1,410,144
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfer to capital projects fund	0	0	(84,657)	(84,657)
Transfer from general fund	<u>573,500</u>	<u>573,500</u>	<u>575,000</u>	<u>1,500</u>
	<u>(573,500)</u>	<u>(573,500)</u>	<u>490,343</u>	<u>1,063,843</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>(DEFICIENCY)EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES(USES)</b>	(624,222)	(653,878)	673,109	1,326,987
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>624,222</u>	<u>653,878</u>	<u>4,943,466</u>	<u>4,289,588</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,616,575</u>	<u>\$ 5,616,575</u>



CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
<b>REVENUE</b>				
Student lunches	\$ 94,000	\$ 94,000	\$ 82,280	\$ (11,720)
Adult lunches	18,600	18,600	16,042	(2,558)
Breakfast	670	670	813	143
U.S.D.A. reimbursement	783,150	783,150	676,580	(106,570)
State matching funds	7,900	7,900	7,430	(470)
Summer feeding program	0	0	22,443	22,443
Student a-la-carte	33,575	33,575	31,486	(2,089)
Other income	<u>1,525</u>	<u>1,525</u>	<u>2,626</u>	<u>1,101</u>
<b>TOTAL REVENUE</b>	939,420	939,420	839,699	(99,721)
<b>EXPENDITURES</b>				
Labor	499,307	499,307	484,893	(14,414)
Food	335,000	335,000	290,421	(44,579)
Nonfood supplies and expenditures	<u>102,650</u>	<u>102,650</u>	<u>77,819</u>	<u>(24,831)</u>
<b>TOTAL EXPENDITURES</b>	<u>936,957</u>	<u>936,957</u>	<u>853,132</u>	<u>(83,825)</u>
<b>EXCESS(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	2,463	2,463	(13,433)	(15,896)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>204,549</u>	<u>204,549</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 2,463</u>	<u>\$ 2,463</u>	<u>\$ 191,116</u>	<u>\$ 188,653</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Federal grants	\$ 920,829	\$ 1,036,518	\$ 990,951	\$ (45,567)
<b>EXPENDITURES</b>				
Salaries	692,240	689,937	683,086	(6,851)
OASDI	44,909	47,804	44,772	(3,032)
Insurance	39,233	44,618	42,981	(1,637)
Retirement	31,358	34,659	32,422	(2,237)
Instructional supplies and materials	21,495	89,024	84,425	(4,599)
In-service/staff development	33,579	50,976	46,445	(4,531)
Contracts with other agencies	0	57,000	55,967	(1,033)
Other charges	<u>58,015</u>	<u>22,500</u>	<u>852</u>	<u>(21,648)</u>
<b>TOTAL EXPENDITURES</b>	<u>920,829</u>	<u>1,036,518</u>	<u>990,951</u>	<u>(45,567)</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	0	0	0	0
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
<b>REVENUE</b>				
Other revenue:				
Interest on investments	\$ 6,468	\$ 6,468	\$ 11,773	\$ 5,305
<b>TOTAL REVENUE</b>	6,468	6,468	11,773	5,305
<b>EXPENDITURES</b>				
Capital outlay	<u>1,641,766</u>	<u>1,888,347</u>	<u>1,789,660</u>	<u>(98,687)</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(1,635,298)	(1,881,879)	(1,777,886)	103,993
<b>OTHER FINANCING SOURCES</b>				
Transfer from general purpose school fund	0	0	84,657	84,657
Bond proceeds	<u>1,601,766</u>	<u>1,601,766</u>	<u>1,788,227</u>	<u>(186,461)</u>
	<u>1,601,766</u>	<u>1,601,766</u>	<u>1,872,884</u>	<u>(271,118)</u>
<b>(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	(33,532)	(280,113)	94,997	375,110
<b>FUND BALANCE(DEFICIT) AT THE BEGINNING OF THE YEAR</b>				
	<u>33,532</u>	<u>280,113</u>	<u>(29,716)</u>	<u>(309,829)</u>
<b>FUND BALANCE(DEFICIT) AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,282</u>	<u>\$ 65,282</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 4,905,903	\$ 5,148,109	\$ 3,469,317	\$ 13,523,329
Interest bearing deposits in financial institutions	135,000	1,455,000	308,000	1,898,000
Accounts receivable:				
Customers, net of allowance for uncollectible accounts	2,079,375	0	0	2,079,375
Customer loan program	109,379	19,973	0	129,352
Interest	0	2,066	889	2,955
Other	147,055	0	5,969	153,024
Sweetwater Utilities Board				
Electric Department	0	45,268	0	45,268
Inventories:				
Stored gas	0	245,871	0	245,871
Materials and supplies	347,963	66,871	89,147	503,981
Prepaid expenses	247,028	15,965	93,983	356,976
	<u>7,971,703</u>	<u>6,999,123</u>	<u>3,967,305</u>	<u>18,938,131</u>

See the accompanying notes to the financial statements.

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b><u>LIABILITIES AND NET POSITION</u></b>				
<b>CURRENT LIABILITIES</b>				
Current maturities of long-term debt	\$ 412,000	\$ 0	\$ 502,055	\$ 914,055
Current maturities of long-term debt due to Gas Department	45,268	0	0	45,268
Accounts payable	1,976,106	176,384	351,975	2,504,465
Customers' deposits	1,108,940	0	0	1,108,940
Accrued expenses	<u>552,754</u>	<u>154,253</u>	<u>449,096</u>	<u>1,156,103</u>
	4,095,068	330,637	1,303,126	5,728,831
<b>NONCURRENT LIABILITIES</b>				
Long-term debt, less current maturities	1,914,000	0	6,298,672	8,212,672
Long-term debt, less current maturities due to Gas Department	972,352	0	0	972,352
Net pension liability	<u>1,780,342</u>	<u>296,810</u>	<u>519,613</u>	<u>2,596,765</u>
	4,666,694	296,810	6,818,285	11,781,789
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	207,279	34,556	60,496	302,331
Deferred outflows related to other postemployment benefits	<u>116,558</u>	<u>14,713</u>	<u>44,507</u>	<u>175,778</u>
	323,837	49,269	105,003	478,109

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

(continued)

June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>NONCURRENT ASSETS</b>				
Accounts receivable:				
Customer loan program				
less allowance for				
doubtful accounts	557,439	0	0	1,529,790
Note receivable-customer loan				
program, less current				
maturities	0	137,271	0	137,271
Note receivable-				
City of Sweetwater	0	972,351	9,256	9,256
Other postemployment				
benefit asset	111,780	14,110	42,683	168,573
Designated assets:				
Renewal and replacement				
fund	267,000	300,000	257,000	824,000
Unemployment security				
fund	8,000	0	0	8,000
Self insurance fund	135,000	45,000	40,000	220,000
	<u>1,079,219</u>	<u>1,468,732</u>	<u>348,939</u>	<u>2,896,890</u>
<b>CAPITAL ASSETS</b>				
Utility Plan	41,209,240	4,900,349	26,591,906	72,701,495
Accumulated depreciation	<u>(20,157,894)</u>	<u>(2,196,894)</u>	<u>(8,213,655)</u>	<u>(30,568,443)</u>
	21,051,346	2,703,455	18,378,251	42,133,052
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows				
related to pensions	<u>2,242,269</u>	<u>373,820</u>	<u>654,431</u>	<u>3,270,520</u>
	<u>\$ 32,344,537</u>	<u>\$ 11,545,130</u>	<u>\$ 23,348,926</u>	<u>\$ 67,238,593</u>

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>NET POSITION</b>				
Net investment in capital assets	18,725,346	2,703,455	11,577,524	33,006,325
Restricted for other postemployment benefits	111,780	14,110	42,683	168,573
Unrestricted	<u>4,421,812</u>	<u>8,150,849</u>	<u>3,502,305</u>	<u>16,074,966</u>
	<u>23,258,938</u>	<u>10,868,414</u>	<u>15,122,512</u>	<u>49,249,864</u>
	<u>\$ 32,344,537</u>	<u>\$ 11,545,130</u>	<u>\$ 23,348,926</u>	<u>\$ 67,238,593</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>OPERATING REVENUE</b>				
Residential	\$ 11,948,510	\$ 581,467	\$ 2,106,885	\$ 14,636,862
Commercial and industrial	0	1,844,275	1,541,046	3,385,321
Schools	0	52,668	0	52,668
Fire protection	0	0	27,360	27,360
Miscellaneous	64,812	4,035	46,916	115,763
General power under 50KW	2,570,444	0	0	2,570,444
General power 50KW and over	9,265,013	0	0	9,265,013
Street and outdoor lighting	712,573	0	0	712,573
Customers' forfeited discounts	191,722	0	0	191,722
Rents from:				
Gas property	0	6,000	0	6,000
Electric property	471,687	0	0	471,687
Less provision for uncollectible accounts	<u>(60,000)</u>	<u>0</u>	<u>0</u>	<u>(60,000)</u>
	25,164,761	2,488,445	3,722,207	31,375,413
<b>OPERATING EXPENSES</b>				
Purchased power-TVA	19,285,337	0	0	19,285,337
Purchased gas	0	1,426,151	0	1,426,151
Purchased water	0	0	202,255	202,255
Operations	1,817,638	556,576	1,633,127	4,007,341
Maintenance	1,030,290	28,718	336,277	1,395,285
Depreciation	<u>1,375,570</u>	<u>84,742</u>	<u>694,437</u>	<u>2,154,749</u>
	<u>23,508,835</u>	<u>2,096,187</u>	<u>2,866,096</u>	<u>28,471,118</u>

See the accompanying notes to the financial statements.



CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>INCOME FROM OPERATIONS</b>	1,655,926	392,258	856,111	2,904,295
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	109,620	63,110	22,757	195,487
Purchase gas refunds	0	124,884	0	124,884
Interest expense	<u>(53,894)</u>	<u>0</u>	<u>(136,142)</u>	<u>(190,036)</u>
	<u>55,726</u>	<u>187,994</u>	<u>(113,385)</u>	<u>130,335</u>
<b>INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	1,711,652	580,252	742,726	3,034,630
<b>OTHER FINANCING (USES)</b>				
Transfers to general fund	<u>(490,000)</u>	<u>(63,000)</u>	<u>0</u>	<u>(553,000)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,221,652	517,252	742,726	2,481,630
<b>CAPITAL CONTRIBUTIONS</b>				
Contributed capital from developers	<u>0</u>	<u>0</u>	<u>394,519</u>	<u>394,519</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>CHANGES IN NET POSITION</b>	1,221,652	517,252	1,137,245	2,876,149
<b>NET POSITION AT THE BEGINNING OF THE YEAR, as restated</b>	<u>22,037,286</u>	<u>10,351,162</u>	<u>13,985,267</u>	<u>46,373,715</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 23,258,938</u>	<u>\$ 10,868,414</u>	<u>\$ 15,122,512</u>	<u>\$ 49,249,864</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>				
Cash received				
from customers	\$ 25,176,780	\$ 2,488,445	\$ 3,717,698	\$ 31,382,923
Cash paid to suppliers	(21,289,427)	(1,517,392)	(1,145,142)	(23,951,961)
Cash paid to employees	<u>(1,288,161)</u>	<u>(213,892)</u>	<u>(847,150)</u>	<u>(2,349,203)</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 2,599,192	 757,161	 1,725,406	 5,081,759
 <b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Interest paid on customer deposits	(52,887)	0	0	(52,887)
Transfers-in-lieu of tax payments	<u>(490,000)</u>	<u>(63,000)</u>	<u>0</u>	<u>(553,000)</u>
 <b>NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	 (542,887)	 (63,000)	 0	 (605,887)

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on capital related debt	(396,000)	0	0	(396,000)
Interest paid on capital related debt	(1,007)	0	0	(1,007)
Issuance of interdepartment loan	1,040,000	(1,040,000)	0	0
Repayment of interdepartment loan	(22,380)	22,380	0	0
Interest paid on long-term debt	0	0	(136,142)	(136,142)
Principal payments on long-term debt	0	0	(481,068)	(481,068)
Acquisition and construction of capital assets	(2,741,570)	(1,173,090)	(1,292,949)	(5,207,609)
Gas equipment loans to customers	0	(49,629)	0	(49,629)
Repayment of gas equipment loans by customers	0	32,561	0	32,561
Proceeds from issuance of long-term debt	0	0	706,924	706,924
Cost of removing capital assets	(208,190)	(5,812)	(17,872)	(231,874)
Proceeds from disposal of capital assets	<u>458,282</u>	<u>119,076</u>	<u>111,990</u>	<u>689,348</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,870,865)</b>	<b>(2,094,513)</b>	<b>(1,109,117)</b>	<b>(5,074,496)</b>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>				
Interest on deposits in financial institutions	107,721	61,915	22,146	191,782
Energy loans made to customers	(172,541)	0	0	(172,541)
Repayments of energy loans by customers	192,772	0	0	192,772
Purchases of certificates of deposit in financial institutions	(1,090,000)	(3,600,000)	(1,210,000)	(5,900,000)
Maturities of certificates of deposit in financial institutions	<u>1,090,000</u>	<u>3,600,000</u>	<u>1,210,000</u>	<u>5,900,000</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>127,952</u>	<u>61,915</u>	<u>22,146</u>	<u>212,013</u>
<b>NET INCREASE(DECREASE) IN CASH</b>	313,392	(1,338,437)	638,435	(386,610)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>4,592,511</u>	<u>7,036,546</u>	<u>3,230,882</u>	<u>14,859,938</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,905,903</u>	<u>\$ 5,698,109</u>	<u>\$ 3,869,317</u>	<u>\$ 14,473,329</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Cash and temporary investments	\$ 4,905,903	\$ 5,148,109	\$ 3,469,317	\$ 13,523,329
Interest bearing deposits in financial institutions	135,000	1,455,000	308,000	1,898,000
Designated assets	<u>410,000</u>	<u>345,000</u>	<u>297,000</u>	<u>1,052,000</u>
	5,450,903	6,948,109	4,074,317	16,473,329
Less: long-term certificates of deposit	<u>(545,000)</u>	<u>(1,250,000)</u>	<u>(205,000)</u>	<u>(2,000,000)</u>
	<u>\$ 4,905,903</u>	<u>\$ 5,698,109</u>	<u>\$ 3,869,317</u>	<u>\$ 14,473,329</u>

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>				
Income from operations	\$ 1,655,926	\$ 392,258	\$ 856,111	\$ 2,904,295
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation, including amounts included in operating and maintenance expense accounts of \$17,274	1,375,570	108,982	706,438	2,190,990
Change in net pension liability	244,676	(18,236)	(56,839)	169,601
Change in net OPEB liability(asset)	(125,580)	(15,846)	(47,007)	(188,433)
Change in deferred outflows:				
Deferred cost of pension	(558,053)	(28,299)	(22,218)	(608,570)
Deferred cost of OPEB	116,558	14,713	44,507	175,778
Pension other deferrals	465	(7,873)	(17,137)	(24,545)
Purchase gas refund	0	124,884	0	124,884
(Increase)decrease in:				
Accounts receivable	(24,022)	0	(4,508)	(28,530)
Inventories	(51,689)	31,072	2,492	(18,125)

CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Prepaid expenses	(45,936)	3,034	(5,435)	(48,337)
Increase(decrease) in:				
Accounts payable	(13,512)	97,678	236,738	320,904
Customer deposits	36,040	0	0	36,040
Accrued expenses	<u>(11,251)</u>	<u>54,794</u>	<u>32,264</u>	<u>75,807</u>
	<u>943,266</u>	<u>364,903</u>	<u>869,295</u>	<u>2,177,464</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 2,599,192</u></b>	<b><u>\$ 757,161</u></b>	<b><u>\$ 1,725,406</u></b>	<b><u>\$ 5,081,759</u></b>



CITY OF SWEETWATER, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>				
Depreciation included in construction costs	\$ 0	\$ 4,111	\$ 1,235	\$ 5,346
Capital assets contributed by developers	0	0	394,519	394,519

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2019

**NOTE A - DESCRIPTION OF ORGANIZATION**

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

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

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

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

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Sweetwater, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from City of Sweetwater, Tennessee. As of June 30, 2019 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Utility financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

The City reports the following major governmental funds:

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

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

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

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

Additionally, the City reports the following nonmajor governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2019.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

The electric fund follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission where applicable. The electric fund, natural gas fund and water and sewer fund use accounting principles applicable to a similar private business enterprise, where the cost of providing services to the public on a continuing basis is recovered through user rates. These funds use the flow of economic resources measurement focus applied on the accrual basis of accounting. Except for customer billings, revenue is recorded when earned. Billings to customers are based on a monthly meter reading cycle. Any electric, gas, or water and sewer services rendered from the latest billing cycle date to the month end are unbilled and are not reflected in the financial statements. Unbilled revenue at June 30, 2019 for the electric fund, natural gas fund, and water and sewer fund was approximately \$657,700, \$27,100, and \$194,400, respectively.

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets at June 30, 2019 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 43,672,944
Accumulated depreciation	(19,599,401)
Principal balance on long-term debt	<u>(7,559,546)</u>
	<u>\$ 16,513,997</u>

Business-Type Activities:

Electric Fund:

Capital assets	\$ 41,209,240
Accumulated depreciation	(20,157,894)
Principal balance on long-term debt	<u>(2,326,000)</u>
	<u>\$ 18,725,346</u>

Natural Gas Fund:

Capital assets	\$ 4,900,349
Accumulated depreciation	<u>(2,196,894)</u>
	<u>\$ 2,703,455</u>

Water and Sewer Fund:

Capital assets	\$ 26,591,906
Accumulated depreciation	(8,213,655)
Principal balance on long-term debt	<u>(6,800,727)</u>
	<u>\$ 11,577,524</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Restricted

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

Unrestricted

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

Fund Balances

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



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Nonspendable Fund Balances

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

Restricted Fund Balances

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

Committed Fund Balances

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

Assigned Fund Balances

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

Unassigned Fund Balance

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Inventories and Prepaid Items

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

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

Taxes

Municipal utilities are exempt from federal and state income taxes.

Capital Assets

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

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

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

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

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

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

Compensated Absences

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

Allowances for Uncollectible Accounts

Allowances for uncollectible accounts and taxes receivable are provided based upon historical trends. Allowances for uncollectible accounts at June 30, 2019 were as follows:

Governmental-Type Activities	
Accounts receivable	<u>\$ 31,000</u>
Business-Type Activities	
Accounts receivable, customers	\$ 41,273
Accounts receivable, customer loan program	<u>28,558</u>
	<u>\$ 69,831</u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Postemployment Benefits Other Than Pension (OPEB)

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Pensions

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

Customer Loan Program

The Utility operates a program that provides interest-bearing loans (currently 6%) for energy efficient equipment and improvements not exceeding \$10,000 for periods not to exceed 120 months. The Utility also operates a program that provides interest-bearing loans (currently 6%) for energy conservation expenditures not exceeding \$10,000 for periods not to exceed 60 months. The balance of these loans made under the electric fund's programs at June 30, 2019, net of an allowance for uncollectible accounts of \$28,558, was \$666,818. The balance of the loans made under the natural gas fund's program at June 30, 2019 was \$157,244 with no allowance for uncollectible accounts reported.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE C - CASH AND INVESTMENTS**

Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2019 were as follows:

Governmental Activities:

Cash on hand and in checking accounts	\$ 8,236,965
Certificate of deposit	<u>100,000</u>
	<u>\$ 8,336,965</u>

Business-Type Activities:

	<u>Unrestricted</u>	<u>Designated</u>	<u>Totals</u>
Cash on hand and in checking accounts	\$ 13,523,329	\$ 0	\$ 13,523,329
Interest-bearing deposits in financial institutions	<u>1,898,000</u>	<u>1,052,000</u>	<u>2,950,000</u>
Total cash and investments	<u>\$ 15,421,329</u>	<u>\$ 1,052,000</u>	<u>\$ 16,473,329</u>

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

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

All cash balances at June 30, 2019 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Deposits in financial institutions for the electric fund, natural gas fund and water and sewer fund consisted of the following at June 30, 2019:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Electric fund:			
Cash on hand and checking accounts	\$ 6,100		
Money market accounts	4,899,803	0.68%	
Certificate of deposit	100,000	2.30	November 5, 2019
Certificate of deposit	<u>445,000</u>	2.30	November 26, 2019
	<u>\$ 5,450,903</u>		

Natural gas fund:

Cash on hand and checking accounts	\$ 1,300		
Money market accounts	5,146,809	0.68%	
Certificate of deposit	100,000	2.12	December 26, 2019
Certificate of deposit	300,000	1.75	July 17, 2019
Certificate of deposit	300,000	1.50	August 27, 2019
Certificate of deposit	300,000	1.50	August 8, 2019
Certificate of deposit	550,000	2.20	September 5, 2019
Certificate of deposit	<u>250,000</u>	2.17	October 8, 2019
	<u>\$ 6,948,109</u>		

Water and sewer fund:

Cash on hand and checking accounts	\$ 1,800		
Money market accounts	3,467,517	0.68%	
Certificate of deposit	400,000	2.20	September 5, 2019
Certificate of deposit	150,000	2.30	November 5, 2019
Certificate of deposit	<u>55,000</u>	2.30	November 26, 2019
	<u>\$ 4,074,317</u>		

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

*TCRS Stabilization Trust*

Legal Provisions

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

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

Investment Balances

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

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

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

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

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

At June 30, 2019, the City had the following investments held by the trust on its behalf.

Asset Class	Percentage Target Allocations	Stabilization Trust Allocation
U.S. Equity	31%	\$ 4,923
Developed market international equity	14%	2,224
Emerging market international equity	4%	635
Private equity and strategic lending	20%	3,176
U.S. fixed income	20%	3,176
Real estate	10%	1,588
Short-term securities	<u>1%</u>	<u>159</u>
	<u>100%</u>	<u>\$ 15,882</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE D - RISK MANAGEMENT**

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

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The electric fund, natural gas fund and water and sewer fund insure themselves against potential losses associated with these risks through jointly purchased commercial insurance policies. There were no reductions in limits of liability or coverage of insurance policies in effect during the year ended June 30, 2019 from those in effect during the years ended June 30, 2018 and June 30, 2017. In addition, there have been no losses in excess of insurance coverage during the last three fiscal years.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE E - CAPITAL ASSETS**

**Governmental Activities:**

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Balance 7/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/19</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 850,274	\$ 15,000	\$ 0	\$ 865,274
Construction in process	<u>1,484,419</u>	<u>2,300,163</u>	<u>0</u>	<u>3,784,581</u>
	2,334,693	2,315,163	0	4,649,855
<u>Capital assets being depreciated</u>				
Land and building improvements	27,317,049	59,046	0	27,376,095
Vehicles and equipment	6,886,695	374,255	(188,289)	7,072,662
Infrastructure	<u>4,958,652</u>	<u>0</u>	<u>(384,320)</u>	<u>4,574,332</u>
	39,162,396	433,301	(572,609)	39,023,089
<u>Accumulated depreciation</u>				
Land and building improvements	(11,236,885)	(667,056)	0	(11,903,941)
Vehicles and equipment	(5,689,900)	(314,743)	183,158	(5,821,484)
Infrastructure	<u>(1,721,235)</u>	<u>(152,741)</u>	<u>0</u>	<u>(1,873,976)</u>
	<u>(18,648,020)</u>	<u>(1,134,540)</u>	<u>183,158</u>	<u>(19,599,401)</u>
	<u>\$ 22,849,069</u>	<u>\$ 1,613,924</u>	<u>\$ (389,451)</u>	<u>\$ 24,073,543</u>

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

General government	\$ 253,271
Education	630,250
Public safety	103,304
Public welfare	72,604
Streets and highways	<u>75,111</u>
	<u>\$ 1,134,540</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

	<u>Balance</u> 7/1/18	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> 6/30/19
<b>Business-Type Activities:</b>				
<b>Electric Fund</b>				
Distribution plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 286,411	\$ 0	\$ 0	\$ 286,411
<u>Capital assets being depreciated</u>				
Electrical distribution system	34,081,469	849,588	(242,632)	34,688,425
Facilities installation	<u>881,571</u>	<u>15,361</u>	<u>(9,442)</u>	<u>887,490</u>
	35,249,451	864,949	(252,074)	35,862,326
General plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	72,519	0	(31,500)	41,019
<u>Capital assets being depreciated</u>				
Structures and improvements	769,147	0	0	769,147
Equipment	2,312,399	737,320	(555,738)	2,493,981
Office furniture and fixtures	<u>517,656</u>	<u>10,473</u>	<u>(34,744)</u>	<u>493,385</u>
	3,671,721	747,793	(621,982)	3,797,532
Construction work in progress	<u>389,054</u>	<u>1,839,637</u>	<u>(679,309)</u>	<u>1,549,382</u>
	<u>\$ 39,310,226</u>	<u>\$ 3,452,379</u>	<u>\$(1,553,365)</u>	<u>\$ 41,209,240</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Electrical distribution system	\$ (15,407,912)	\$(1,247,030)	\$ 413,877	\$ (16,241,065)
Facilities installation	<u>(834,249)</u>	<u>(53,127)</u>	<u>14,239</u>	<u>(873,137)</u>
	(16,242,161)	(1,300,157)	428,116	(17,114,202)
General plant:				
Structures and improvements	(704,748)	(38,457)	0	(743,205)
Equipment	(2,187,994)	(6,150)	129,605	(2,064,539)
Office furniture and fixtures	<u>(239,885)</u>	<u>(30,806)</u>	<u>34,743</u>	<u>(235,948)</u>
	<u>(3,132,627)</u>	<u>(75,413)</u>	<u>164,348</u>	<u>(3,043,692)</u>
	<u>\$ (19,374,788)</u>	<u>\$(1,375,570)</u>	<u>\$ 592,464</u>	<u>\$ (20,157,894)</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

	<u>Balance</u> <u>7/1/18</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>6/30/19</u>
<b>Natural Gas Fund</b>				
Distribution plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 5,059	\$ 0	\$ 0	\$ 5,059
<u>Capital assets being depreciated</u>				
Structures and improvements	32,998	0	0	32,998
Gas distribution system	<u>3,274,059</u>	<u>93,874</u>	<u>(3,982)</u>	<u>3,363,951</u>
	3,312,116	93,874	(3,982)	3,402,008
General plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	8,600	0	0	8,600
<u>Capital assets being depreciated</u>				
Equipment	309,031	154,911	(70,781)	393,161
Office furniture and fixtures	<u>1,791</u>	<u>20,895</u>	<u>0</u>	<u>22,686</u>
	319,422	175,806	(118,736)	424,447
Construction work in progress	<u>166,373</u>	<u>1,007,582</u>	<u>(100,061)</u>	<u>1,073,894</u>
	<u>\$ 3,797,911</u>	<u>\$ 1,277,262</u>	<u>\$ (174,824)</u>	<u>\$ 4,900,349</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Structures and improvements	\$ (20,257)	\$ 0	\$ 0	\$ (20,257)
Gas distribution system	<u>(1,938,364)</u>	<u>(84,742)</u>	<u>9,795</u>	<u>(2,013,311)</u>
	(1,958,621)	(84,742)	9,795	(2,033,568)
General plant:				
Equipment	(84,972)	(28,351)	(48,296)	(161,619)
Office furniture and fixtures	<u>(1,707)</u>	<u>0</u>	<u>0</u>	<u>(1,707)</u>
	<u>(86,679)</u>	<u>(28,351)</u>	<u>(48,296)</u>	<u>(163,326)</u>
	<u>\$ (2,045,300)</u>	<u>\$ (113,093)</u>	<u>\$ (38,501)</u>	<u>\$ (2,196,894)</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

	<u>Balance 7/1/18</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 6/30/19</u>
<b>Water and Sewer Fund</b>				
Water plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 38,188	\$ 0	\$ 0	\$ 38,188
<u>Capital assets being depreciated</u>				
Structures and improvements	9,687,018	245,475	(13,825)	9,918,668
Furniture and fixtures	31,506	21,520	0	53,026
Equipment	<u>2,005,238</u>	<u>144,565</u>	<u>(99,929)</u>	<u>2,049,874</u>
	11,761,950	411,560	(113,754)	12,059,756
Sewer plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	69,013	0	0	69,013
<u>Capital assets being depreciated</u>				
Structures and improvements	12,812,361	122,263	0	12,934,624
Equipment	<u>358,959</u>	<u>169,841</u>	<u>(5,378)</u>	<u>523,422</u>
	13,240,333	292,104	(5,378)	13,527,059
Construction work in progress	<u>20,051</u>	<u>1,061,362</u>	<u>(76,322)</u>	<u>1,005,091</u>
	<u>\$ 25,022,334</u>	<u>\$ 1,765,026</u>	<u>\$ (195,454)</u>	<u>\$ 26,591,906</u>
<u>Accumulated depreciation</u>				
Water plant:				
Structures and improvements	\$ (4,532,341)	\$ (298,489)	\$ 31,697	\$ (4,799,133)
Furniture and fixtures	(9,129)	(1,575)	0	(10,704)
Equipment	<u>(477,965)</u>	<u>(91,050)</u>	<u>(12,061)</u>	<u>(581,076)</u>
	(5,019,435)	(391,114)	19,636	(5,390,913)
Sewer plant:				
Structures and improvements	(2,198,603)	(306,334)	0	(2,504,937)
Equipment	<u>(312,958)</u>	<u>(10,225)</u>	<u>5,378</u>	<u>(317,805)</u>
	<u>(2,511,561)</u>	<u>(316,559)</u>	<u>5,378</u>	<u>(2,822,742)</u>
	<u>\$ (7,530,996)</u>	<u>\$ (707,673)</u>	<u>\$ 25,014</u>	<u>\$ (8,213,655)</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Depreciation expense	\$ 1,375,570	\$ 84,742	\$ 694,437	\$ 2,154,749
Charged to clearing accounts and allocated to:				
Construction	0	4,111	1,235	5,346
Operating expense accounts	0	23,078	9,626	32,704
Maintenance expense accounts	<u>0</u>	<u>1,162</u>	<u>2,375</u>	<u>3,537</u>
	<u>\$ 1,375,570</u>	<u>\$ 113,093</u>	<u>\$ 707,673</u>	<u>\$ 2,196,336</u>

**NOTE F - PENSION PLANS**

*Public Employee Retirement Plan*

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Benefits Provided

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	98
Active employees	<u>116</u>
	<u>302</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, employer contributions were \$259,232 based on an actuarial determined rate of 7.10%. The City elected to make additional contributions in order to reduce the net pension liability. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The City's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

Discount Rate

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Changes in Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Changes for the year ended June 30, 2018:			
Increase(decrease):			
Service cost	\$ 346,953	\$ 0	\$ 346,953
Interest	905,739	0	905,739
Differences between expected and actual experience	(88,962)	0	(88,962)
Contributions-employer	0	267,355	(267,355)
Contributions-employee	0	180,917	(180,917)
Net investment income	0	1,070,026	(1,070,026)
Benefit payments, including refunds of employee contributions	(495,849)	(495,849)	0
Administrative expense	<u>0</u>	<u>(11,280)</u>	<u>11,280</u>
Net changes for the year ended June 30, 2018	667,881	1,011,169	(343,288)
Balances at June 30, 2017	<u>12,393,920</u>	<u>12,920,396</u>	<u>(526,476)</u>
Balances at June 30, 2018	<u>\$ 13,061,801</u>	<u>\$ 13,931,565</u>	<u>\$ (869,764)</u>

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability(asset)	\$ 810,531	\$ (869,764)	\$ (2,268,858)

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Pension Expense

For the year ended June 30, 2019, the City recognized negative pension expense of \$15,160 in the government-wide statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the City reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,394	\$ 244,560
Net difference between projected and actual earnings on pension plan investments	0	58,049
Changes in assumptions	170,087	0
Contributions subsequent to the measurement date of June 30, 2018	<u>259,232</u>	<u>not applicable</u>
	<u>\$ 447,713</u>	<u>\$ 302,609</u>

The amount shown above from “contributions subsequent to the measurement date of June 30, 2018,” will be recognized as a reduction(increase) to the net pension liability(asset) in the following measurement period.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

<u>Year Ending</u> <u>June 30,</u>	
2020	\$ 10,244
2021	19,809
2022	(99,299)
2023	(44,878)
2024	0
Thereafter	0

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

Payable to the Pension Plan

At June 30, 2019, Sweetwater reported a payable of \$26,699 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

*Teacher Legacy Pension Plan*

Plan Description

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service credit is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Board of Education for the year ended June 30, 2019 to the Teacher Legacy Plan were \$560,450 which is 10.46% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Pension Liability(Asset)

At June 30, 2019 the Board of Education reported an asset of \$543,773 for its proportionate share of net pension liability(asset). The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Board of Education's proportion of the net pension liability(asset) was based on the Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 the Board of Education's proportion was 0.154529%. The proportion measured as of June 30, 2017 was 0.152207%.

Pension Expense

For the year ended June 30, 2019, the Board of Education recognized negative pension expense of \$151,105.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Board of Education reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 109,915	\$ 733,593
Changes in assumptions	321,155	0
Net difference between projected and actual earnings on pension plan investments	0	118,348
Changes in proportion of Net Pension Liability(Asset)	44,739	23,430
Contributions subsequent to the measurement date of June 30, 2018	<u>560,450</u>	<u>not applicable</u>
	<u>\$ 1,036,259</u>	<u>\$ 875,371</u>



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

The Board of Education employer contributions of \$560,450, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability(asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 116,649
2021	(169,102)
2022	(298,419)
2023	(48,690)
2024	0
Thereafter	0

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Discount Rate

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

Sensitivity of the Proportionate Share of Net Pension Liability(Asset) to Changes in the Discount Rate

The following presents the Board of Education's proportionate share of the net pension liability(asset) calculated using the discount rate of 7.25%, as well as what the Board of Education's proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability(asset)	\$ 4,191,745	\$ (543,773)	\$ (4,461,754)

Pension Plan Fiduciary Net Position

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

*Teacher Retirement Plan*

Plan Description

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

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in the law. Teachers contribute 5% of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2019 to the Teacher Retirement Plan were \$14,825, which is 1.96% of covered payroll. The employer rate, combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Asset

At June 30, 2019, the Board of Education reported an asset of \$34,105 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension assets used to calculate the net pension asset was determined by an actuarial value as of that date. The Board of Education's proportion of the net pension asset was based on the Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, the Board of Education's proportion was .075200%. The proportion measured as of June 30, 2017 was .073608%.

Pension Expense

For the year ended June 30, 2019, the Board of Education recognized pension expense (negative pension expense) of \$11,429.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,932	\$ 1,358
Net difference between projected and actual earnings on pension plan investments	0	1,927
Changes in assumptions	1,609	0
Changes in proportion of Net Pension Liability(asset)	0	2,558
Contributions subsequent to the measurement date of June 30, 2018	<u>14,825</u>	<u>not applicable</u>
	<u>\$ 18,366</u>	<u>\$ 5,843</u>

The Board of Education's employer contributions of \$29,905, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (466)
2021	(527)
2022	(802)
2023	(298)
2024	(42)
Thereafter	(167)

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation from each major asset class are summarized in the following table:

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of Net Pension Liability(Asset) to Changes in the Discount Rate

The following presents the Board of Education's proportionate share of the net pension liability(asset) calculated using the discount rate of 7.25%, as well as what the Board of Education's proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Proportionate share of the net pension liability(asset)	\$ 5,273	\$ (34,105)	\$ (63,117)



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Pension Plan Fiduciary Net Position

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

*Defined Benefit Pension Plan*

Plan Description

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

Although the Plan has fewer than 100 employees, since the Utility Board administers the Plan it was determined that under new reporting requirements for the defined benefit plans that this Plan should be audited. An audit of the Plan occurred for the latest Plan year of December 31, 2018. The fiduciary fund reporting for the Plan will be included in the financial statements of the City of Sweetwater, Tennessee for the year ending June 30, 2020.

Benefits Provided

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Employee membership data related to the Plan as of the measurement date of January 1, 2019, was as follows:

Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to but not yet receiving benefits	1
Active plan member	<u>30</u>
	<u>42</u>

Contributions

The Plan is contributory whereby employees are required to contribute 5% (effective July 1, 2015 increased from 3%) of earnable compensation, and the employer is responsible for the remaining contribution. For the plan year ended December 31, 2018, the Utility's required contribution of \$357,081 (21.38% of covered payroll) is an actuarially determined amount sufficient to amortize the unfunded actuarial accrued liability and fund employer normal cost. There is no legal or contractual maximum contribution rate. Both the contribution requirements of plan members and the Utility are established and may be amended by the Utility's Board of Directors.

Annual Required Contribution Trend Information

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Net Pension Liability

The Utility's net pension liability was measured as of January 1, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0%
Investment rate of return	5.5%
Mortality	RP 2014 Healthy Annuitant Mortality Table using MP-2018 mortality improvements

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

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

Discount Rate

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Funded Status

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

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Changes for the year ended December 31, 2018:			
Increase(decrease):			
Service cost	\$ 85,545	\$ 0	\$ 85,545
Interest	416,673	0	416,673
Difference between expected and actual experience	298,170	0	298,170
Changes in assumptions	(21,327)	0	(21,327)
Contributions-employer	0	782,078	(782,078)
Contributions-employees	0	104,257	(104,257)
Net investment income	0	(267,766)	267,766
Benefit payments, including refunds of employee contributions	(315,975)	(315,975)	0
Adjustment for change in employee contributions	0	23,269	(23,269)
Administrative expenses	0	(32,378)	32,378
Net changes for the year ended December 31, 2018	463,086	293,485	169,601
Balances at December 31, 2017	7,490,321	5,063,157	2,427,164
Balances at December 31, 2018	\$ 7,953,407	\$ 5,356,642	\$ 2,596,765

<u>Department</u>	Net Pension Liability 12/31/2017	Net Changes	Net Pension Liability 12/31/2018
Electric	1,535,666	\$ 244,676	\$ 1,780,342
Gas	315,046	(18,236)	296,810
Water and sewer	576,452	(56,839)	519,613
	\$ 2,427,164	\$ 169,601	\$ 2,596,765

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net pension liability	\$ 3,959,843	\$ 2,596,765	\$ 1,509,569

Pension Expense

For the plan year ended December 31, 2018, the Plan recognized pension income as follows (including adjustments for change in allocation percentages between departments):

<u>Department</u>	<u>Pension Income</u>
Electric	\$ 414,600
Gas	69,120
Water and sewer	121,006
	<u>\$ 604,726</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019 the Plan reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 589,712	\$ 107,130
Changes in assumptions	1,944,990	85,381
Net difference between projected and actual earnings on plan investments	<u>550,818</u>	<u>109,820</u>
Totals	<u>\$ 3,085,520</u>	<u>\$ 302,331</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

At June 30, 2019, the Utility reported deferred outflows of resources related to Defined Benefit Pension Plan from the following sources:

Contributions subsequent to the measurement date of January 1, 2019:	<u>\$ 185,000</u>
<u>Department</u>	
Electric	\$ 126,835
Gas	21,146
Water and Sewer	<u>37,019</u>
	<u>\$ 185,000</u>

The amount shown above for contributions subsequent to the measurement date of January 1, 2019, will be recognized as a reduction of the net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as increases in pension expense as follows:

<u>Year Ending</u>	
<u>June 30,</u>	
2020	\$ 70,110
2021	70,110
2022	70,110
2023	106,717
2024	9,441
Thereafter	2,641,701

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

The deferred outflows of resources and deferred inflows of resources for the Utility are as follows as of June 30, 2019:

<u>Department</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 2,242,269	\$ 207,279
Gas	373,820	34,556
Water and sewer	<u>654,431</u>	<u>60,496</u>
	<u>\$ 3,270,520</u>	<u>\$ 302,331</u>

Payable to the Pension Plan

At June 30, 2019 the Utility did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2019 since all contributions were paid prior to year-end.

*Defined Contribution Pension Plan*

Plan Description

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



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

All full-time employees attaining the age of 18 and with six months of employment are eligible to become members of the 401(a) Plan. The 401(a) Plan defines the employee contributions and Utility's matching contributions at 5% each. The Utility's contributions for each participating employee are fully vested after five years. Utility contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Utility's obligation to contribute. There were no contributions to the 401(a) Plan for the year ended June 30, 2019 as there were no eligible members of the Plan.

*Deferred Compensation Plan*

Plan Description

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

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

**NOTE G – OTHER POSTEMPLOYMENT BENEFITS FOR THE UTILITY**

*Other Postemployment Benefits Plan*

Plan Description

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

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

Contributions

The Board of Directors reserves the authority to determine the level of contributions the Utility will make to the plan for the purpose of financing the postemployment benefits accrued by its respective employees. For the year ended June 30, 2019, the Utilities average contribution rate was 6% of covered employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Actuarial Assumptions

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

Inflation	3%
Salary increases	3%
Investment rate of return	5.5%
Healthcare cost trend rates	14.8% for 2019, 6% for 2020 and 2021 5.5% for 2022 and 2023, ultimately decreasing to a rate of 5% for 2024 and later years for Medical costs 3.1% for 2019, ultimately decreasing to a rate of 3% for 2020 and later years for dental costs

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

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

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

Discount Rate

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability(Asset) (a)-(b)
Changes for the year ended June 30, 2019:			
Increase(decrease):			
Service cost	\$ 3,552	\$ 0	\$ 3,552
Interest	8,355	0	8,355
Difference between expected and actual experience	(7,404)	0	(7,404)
Changes of assumption	(175,266)	0	(175,266)
Net investment income	<u>0</u>	<u>17,669</u>	<u>(17,669)</u>
Net changes for the year ended June 30, 2019	(170,763)	17,669	(188,432)
Balances at June 30, 2018	<u>331,029</u>	<u>311,170</u>	<u>19,859</u>
Balances at June 30, 2019	<u>\$ 160,266</u>	<u>\$ 328,839</u>	<u>\$ (168,573)</u>

<u>Department</u>	Net Pension Liability 06/30/2018	Net Changes	Net Pension Liability 06/30/2019
Electric	\$ 13,799	\$ (125,579)	\$ (111,780)
Gas	1,736	(15,846)	(14,110)
Water and sewer	<u>4,324</u>	<u>(47,007)</u>	<u>(42,683)</u>
	<u>\$ 19,859</u>	<u>\$ (188,432)</u>	<u>\$ (168,573)</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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

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

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net OPEB liability (asset)	\$ (147,234)	\$ (168,573)	\$ (142,336)

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

	1% Decrease 5.5%-4.5%	Current Discount Rate 6.5%-5.5%	1% Increase 7.5%-6.5%
Net OPEB liability (asset)	\$ (189,356)	\$ (168,573)	\$ (142,336)

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

For the year ended June 30, 2019 the Utility recognized OPEB expense of \$1,649.

<u>Department</u>	
Electric	\$ 1,093
Gas	138
Water and sewer	<u>418</u>
	<u>\$ 1,649</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

At June 30, 2019, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 7,108
Changes in assumptions	168,255
Net difference between projected and actual earnings on plan investments	<u>415</u>
Total	<u>\$ 175,778</u>

The deferred inflows of resources for the Utility, together with the Sweetwater Utilities Board Water and Sewer and Electric Departments are as follows as of June 30, 2019:

<u>Department</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 116,558
Gas	14,713
Water and sewer	<u>44,507</u>
	<u>\$ 175,778</u>

Payable to the OPEB Plan

At June 30, 2019 the Utility did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2019 since all contributions were paid prior to year-end.

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE I - LONG-TERM DEBT**

Long-term debt at June 30, 2019 consisted of the following:

Governmental Activities:

Adjustable rate Pooled Financing Revenue Bonds, Series 2001 issued through the Tennessee Municipal Bond Fund, payable in annual installments through May 2030.	\$ 3,053,000
2.00% revolving loan agreement with the Tennessee Local Development Authority, payable in monthly installments of \$9,256 through January 2029.	973,817
2.86% loan agreement with Tennessee Municipal Bond Fund, payable in annual installment of varying amounts with interest payable in semi-annual installments through 2031.	995,200
Ford Motor Credit lease purchase agreement, payable in annual installments through May 2021	101,528
Adjustable rate Local Government Loan Program Bonds, Series 2017, payable in annual installments through 2042.	<u>2,436,000</u>
	7,559,545
Less current maturities	<u>(533,629)</u>
	<u>\$ 7,025,916</u>

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Business-Type Activities:

Adjustable rate note through the Public Building Authority of Montgomery County, Tennessee, payable in annual installments through May 2025. The interest rate at June 30, 2019 was 2.07%	\$ 2,326,000
2.13% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest totaling \$3,429 through November 2026.	282,015
3.80% loan agreement with the Tennessee Municipal Bond Fund payable in quarterly interest payments and annual principal payments through April 2030.	3,682,000
Adjustable rate note through the Sweetwater Utilities Board Gas Department, payable in monthly interest payments and annual principal payments through November 2038. The interest rate at June 30, 2019 was 1.50%	1,017,620
Water and Sewer Revenue and Tax Bond Anticipation Notes, Series 2017, 2.625% interest rate	706,924
0.99% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest totaling \$8,422 through June 2036.	1,580,627
2.45% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest totaling \$6,303 through June 2027.	549,161
	<u>10,144,347</u>
Less current maturities	<u>(959,323)</u>
	<u>\$ 9,185,024</u>



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

In October 2005, the electric fund entered into a \$7,000,000 adjustable rate loan agreement with the Public Building Authority of Montgomery County, Tennessee in order to finance construction and improvement of the electrical system. Principal is payable annually through May 2025. Interest is payable monthly at a variable rate (2.07% at June 30, 2019) that adjusts with the interest rate of the adjustable rate bonds issued by the Public Building Authority of Montgomery County, Tennessee to fund the loan. In addition, the electric fund is required to pay monthly remarketing, letter of credit, and trustee fees. During the year ended June 30, 2019 interest and fees paid totaled \$45,157 and \$18,714, respectively.

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

In November 2019 the Electric Department entered into a \$1,040,000 adjustable rate loan agreement with the Gas Department to fund its portion of the new administrative building. Principal is payable annually through November 2038. Interest is payable monthly at a variable rate (1.50% at June 30, 2019) that adjusts annually based on the best bid for like funds for a period of twelve months plus .5%. Interest paid during the year totaled \$7,730.

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

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

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

In April 2010 the Water and Sewer Department entered into a loan agreement administered by the Tennessee Municipal Bond Fund to provide funding for a new wastewater treatment plant. The Utility borrowed \$6,500,000 under the agreement and began making debt service payments in June 2010. The loan agreement calls for quarterly interest payments at a current rate of 3.8%, to be adjusted by the bank on each subsequent seven-year loan adjustment date, as well as annual principal payments to be made through April 2030.

In 2015, the Water and Sewer Department entered into a revolving loan agreement with the Tennessee Local Development Authority to provide funding for a new water treatment plant improvement project. The Utility borrowed in total \$2,444,000 (\$105,081 for the year ended June 30, 2017) under the agreement, \$611,000 (\$26,270 for the year ended June 30, 2017) of which was forgiven under the agreement. The Utility began making monthly debt service payments in July 2016. The loan agreement calls for monthly payments of \$8,422, including interest at .99% to be made through June 2036.

During the year ending June 30, 2019, the Water and Sewer Department issued four Water and Sewer Revenue and Tax Bond Anticipation Notes totaling \$706,924 to finance the construction of water and sewer system improvements and extensions for the District with interest cost of 2.625%. Total interest paid by the Water and Sewer Department totaled \$746. The anticipation notes will be retired with the issuance of Series 2017 Water and Sewer Revenue Tax Bonds in the amount of \$1,584,100. The Series 2017 Bonds are estimated to be issued in November 2019 with the first 480 payments of principal and interest to begin in December 2019 at a 2.625% interest rate.

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

The Utility's bond anticipation note is subject to a covenant requiring the Utility to use proceeds from the impending issuance of bonds to repay the note balance. If the Utility fails to comply with the above covenant, then the full balance of the note may become immediately due and payable. The note holder may require the Utility to surrender assets sufficient to repay the note balance as of the day of default. The Utility is not in violation of this covenant at June 30, 2019.

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

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Events of default under the bonds and revolving loan agreements include but are not limited to: (1) failure to make principal payments when due and payable and (2) failure to make installment of interest payments. In the event of default, if the Utility is unable to remedy, outstanding amounts may become due and payable by declaration of the fiscal agent or the holders. The Utility is not in violation of any covenants at June 30, 2019.

Maturities of long-term debt as of June 30, 2019 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 533,629	\$ 157,064	\$ 690,693
2021	549,871	143,150	693,021
2022	510,868	128,709	639,577
2023	525,512	117,919	643,431
2024	538,192	106,832	645,024
2025	553,008	95,463	648,471
2026	567,872	83,766	651,638
2027	583,672	71,763	655,435
2028	599,720	59,415	659,135
2029	575,901	47,184	623,085
2030	519,000	35,486	554,486
2031	198,300	24,389	222,689
2032	107,000	19,870	126,870
2033	109,000	18,061	127,061
2034	111,000	16,218	127,218
2035	114,000	14,326	128,326
2036	116,000	12,400	128,400
2037	118,000	10,441	128,441
2038	121,000	8,433	129,433
2039	123,000	6,391	129,391
2040	126,000	4,299	130,299
2041	128,000	2,175	130,175
2042	<u>131,000</u>	<u>1,394</u>	<u>132,394</u>
	<u>\$ 7,559,545</u>	<u>\$ 1,185,148</u>	<u>\$ 8,744,693</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Business-Type Activities:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 959,323	\$ 163,164	\$ 1,122,487
2021	995,591	156,487	1,152,078
2022	1,028,799	141,581	1,170,380
2023	1,064,084	126,191	1,190,275
2024	1,100,459	110,280	1,210,739
2025	732,913	94,043	826,956
2026	655,469	79,451	734,920
2027	651,075	64,856	715,931
2028	576,262	51,734	627,996
2029	566,283	39,243	605,526
2030	160,339	29,507	189,846
2031	162,427	27,419	189,846
2032	164,536	25,310	189,846
2033	166,679	23,167	189,846
2034	168,857	20,989	189,846
2035	171,068	18,778	189,846
2036	173,240	16,540	189,780
2037	74,052	14,730	88,782
2038	75,350	13,432	88,782
2039	46,469	12,200	58,669
2040	16,926	11,634	28,560
2041	17,375	11,185	28,560
2042	17,837	10,723	28,560
2043	18,311	10,249	28,560
2044	18,797	9,763	28,560
2045	19,297	9,263	28,560
2046	19,809	8,751	28,560
2047	20,336	8,224	28,560

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2048	20,876	7,684	28,560
2049	21,431	7,129	28,560
2050	22,000	6,560	28,560
2051	22,585	5,975	28,560
2052	23,185	5,375	28,560
2053	23,801	4,759	28,560
2054	24,433	4,127	28,560
2055	25,082	3,478	28,560
2056	25,748	2,812	28,560
2057	26,433	2,127	28,560
2058	27,135	1,425	28,560
2059	27,856	704	28,560
2060	<u>11,822</u>	<u>227</u>	<u>12,049</u>
	<u>\$ 10,144,347</u>	<u>\$ 1,361,276</u>	<u>\$ 11,505,626</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

Changes in long-term debt for the year ended June 30, 2019 were as follows:

	<u>Balance</u> <u>7/1/18</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/19</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental</u>					
<u>Activities:</u>					
Tennessee Municipal Bond, Series 2001	\$ 3,283,000	\$ 0	\$ (230,000)	\$ 3,053,000	\$ 237,000
Tennessee Municipal Bond Loan	1,066,500	0	(71,300)	995,200	71,300
Tennessee Municipal Bond, Series 2017	730,773	1,788,227	(83,000)	2,436,000	84,000
Tennessee Local Development Authority	1,066,217	0	(92,400)	973,817	92,400
Ford Motor Credit	<u>0</u>	<u>158,073</u>	<u>(56,544)</u>	<u>101,528</u>	<u>48,929</u>
	<u>\$ 6,146,490</u>	<u>\$ 1,946,300</u>	<u>\$ (533,244)</u>	<u>\$ 7,559,545</u>	<u>\$ 533,629</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

	<u>Balance</u> <u>7/1/18</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/19</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type</u>					
<u>Activities:</u>					
Revolving loan agreements	\$ 2,592,871	\$ 0	\$ (181,068)	\$ 2,411,803	\$ 184,179
Bond Anticipation Notes	0	706,924	0	706,927	5,876
Interdepartment loan Gas Department	0	1,040,000	(22,380)	1,017,620	45,268
Tennessee Municipal Bonds	3,982,000	0	(300,000)	3,682,000	312,000
Adjustable rate loan	<u>2,722,000</u>	<u>0</u>	<u>(396,000)</u>	<u>2,326,000</u>	<u>412,000</u>
	<u>\$ 9,296,871</u>	<u>\$ 1,746,924</u>	<u>\$ (899,448)</u>	<u>\$ 10,144,347</u>	<u>\$ 959,323</u>

**NOTE J - INTERFUND TRANSFERS**

Transfers during the year ended June 30, 2019 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	General purpose school fund	\$ 575,000
General purpose school fund	Capital projects fund	84,657
General fund	Library fund	120,000
General fund	Economic Development fund	3,162
Electric fund	General fund	490,000
Water and Sewer fund	General fund	25,080
General fund	Water and Sewer fund	20,000
Natural gas fund	General fund	63,000

Transfers were for operating funds.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE K - INTERFUND RECEIVABLES AND PAYABLES**

Amounts due from and due to other funds at June 30, 2019, resulting from short-term advances for shared costs, were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Water and sewer fund	General fund	\$ 9,256
General purpose school fund	Cafeteria fund	35,697

On December 12, 2018, the Gas Department loaned \$1,040,000 to the Electric Department to assist in the funding of the new administrative building. The Electric Department will repay the loan over twenty years. The initial interest rate is 1.5% and is reevaluated annually based on the best bid for like funds for a period of twelve months plus .5%. Interest is paid monthly and principal payments are paid annually. The balance of the note receivable at June 30, 2019 was \$1,017,619 (\$45,268 current and \$972,351 long-term).

**NOTE L - CONTRACT WITH TENNESSEE VALLEY AUTHORITY**

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

**NOTE M - LEASED FACILITIES**

The Utility rents office space and other facilities from the City under operating leases that are negotiated annually. Total rental expense for the year ended June 30, 2019 for these properties amounted to \$19,800 for the electric fund, \$6,600 for the natural gas fund and \$20,582 for the water and sewer fund.



CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE N - PREPAID EXPENSES**

Prepaid expenses at June 30, 2019 for the electric fund included the following:

Prepaid power	\$ 57,845
Prepaid rent	6,000
Prepaid insurance	<u>183,183</u>
	<u>\$ 247,028</u>

The Utility prepays its monthly power bill by placing excess funds on deposit with TVA. Interest is earned on the deposited funds at a variable rate (2.410% at June 30, 2019).

**NOTE O - CONCENTRATION OF CREDIT RISK**

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

**NOTE P - RESTRICTED NET POSITION**

At June 30, 2019 restricted net position consisted of the following:

Special projects	\$ 45,458
Street improvements	432,953
Pension	384,371
Drug enforcement	51,773
Capital projects	1,554
Economic development	155,301
Home grants	353
School general purpose	5,616,575
School cafeteria	<u>191,116</u>
	<u>\$ 6,879,454</u>

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE Q - RELATED PARTY TRANSACTIONS**

In May 2019, the Utility entered into a sales agreement with the City of Sweetwater that resulted in the City of Sweetwater waiving the rent on the Utility's administrative office building for five months to be used to purchase the Utility's administrative parking lot. The rent that was waived was for the time period of April 2019 through August 2019, a value of \$15,000. At June 30, 2019, the Utility had expensed \$9,000 of the rent and reported the remaining \$6,000 as prepaid rent under the agreement.

**NOTE R - SUBSEQUENT EVENTS**

The Utility has incurred \$488,066 in additional Water and Sewer Revenue and Tax Bond Anticipation Note indebtedness since June 30, 2019.

The City has evaluated subsequent events through April 8, 2020 the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

**NOTE S - EXPENDITURES EXCEEDED APPROPRIATIONS**

During the year ended June 30, 2019, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Amount</u>
General fund	\$ 9,749

**NOTE T - FUND DEFICIT**

There was a fund deficit of \$608 in the Home Grant Fund.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

**NOTE U - PRIOR PERIOD ADJUSTMENT**

During the fiscal year 2019 the Utility corrected its beginning net position due to the actuary for the OPEB trust correcting the plan fiduciary net position balance at June 30, 2018 upon issuance of his actuarial valuation report for the fiscal beginning July 1, 2017. See Note G for additional information about the Utility's OPEB plan

As a result, the Utility has recorded a prior period adjustment to the net position as of June 30, 2018 as follows:

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Fund</u>	<u>Totals</u>
Net position at June 30, 2018, as originally stated	\$ 21,960,960	\$ 10,341,562	\$ 13,961,355	\$ 46,263,877
Adjustment to net position	<u>76,326</u>	<u>9,600</u>	<u>23,912</u>	<u>109,838</u>
Net position at June 30, 2018, as restated	<u>\$ 22,037,286</u>	<u>\$ 10,351,162</u>	<u>\$ 13,985,267</u>	<u>\$ 46,373,715</u>

**NOTE V - COMMITMENTS**

The City has entered into contracts with various construction companies totaling \$610,200 for design, resurfacing and improvement services related to the construction of a splash pad. As of June 30, 2019, \$335,556 has been expended on these contracts.

CITY OF SWEETWATER, TENNESSEE

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

June 30, 2019

<u>Public Employee Retirement Plan</u>	Measurement Date at June 30, 2018
<u>Total pension liability</u>	
Service cost	\$ 346,953
Interest	905,739
Differences between actual and expected experience	(88,962)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(495,849)
Net change in total pension liability	667,881
Total pension liability - beginning	12,393,920
Total pension liability - ending (a)	13,061,801
 <u>Plan fiduciary net position</u>	
Contributions - employer	267,355
Contributions - employee	180,917
Net investment income	1,070,026
Benefit payments, including refunds of employee contributions	(495,849)
Other	0
Administrative expense	(11,280)
Net change in plan fiduciary net position	1,011,169
Plan fiduciary net position - beginning	12,920,396
Plan fiduciary net position - ending (b)	13,931,565
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ (869,764)</u>
 Plan fiduciary net position as a percentage of total net pension liability	 106.66%
 Covered employee payroll	 \$ 3,765,565
 Net pension liability(asset) as a percentage of covered employee payroll	 -23.10%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See the accompanying independent accountants' audit report.

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

During the year ended June 30, 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2019

<i>The Utility Public Employee Retirement Plan</i>	Measurement Date at June 30, 2018
<u>Total pension liability</u>	
Service cost	\$ 85,545
Interest	416,673
Differences between actual and expected experience	298,170
Change of assumptions	(21,327)
Benefit payments, including refunds of employee contributions	<u>(315,975)</u>
Net change in total pension liability	463,086
Total pension liability - beginning	<u>7,490,321</u>
Total pension liability - ending (a)	<u>7,953,407</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	782,078
Contributions - employee	104,257
Net investment income	(267,766)
Benefit payments, including refunds of employee contributions	(315,975)
Adjustment for change in employee voluntary contributions	23,269
Administrative expense	<u>(32,378)</u>
Net change in plan fiduciary net position	293,485
Plan fiduciary net position - beginning	<u>5,063,157</u>
Plan fiduciary net position - ending (b)	<u>5,356,642</u>
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ 2,596,765</u>
 Plan fiduciary net position as a percentage of total net pension liability	  67.35%
 Covered employee payroll	 \$ 1,729,267
 Net pension liability(asset) as a percentage of covered employee payroll	  150.17%

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

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

CITY OF SWEETWATER, TENNESSEE

**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

June 30, 2019

Teacher Legacy Pension Plan

	Measurement date at June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	\$ (543,773)	\$ (49,798)	\$ 941,846	\$ 61,343
Proportionate share of the net pension liability (asset)	0.154529%	0.152207%	0.150709%	0.014975%
Covered employee payroll	\$ 5,411,099	\$ 5,380,434	\$ 5,440,279	\$ 5,605,879
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(10.05)%	(.93)%	17.31%	1.09%
Plan fiduciary net position as a percentage of the total pension liability	101.49%	100.14%	97.14%	99.81%

See the accompanying independent accountants' audit report.



Measurement date at June 30,  
2014

\$ (23,265)

0.014317%

\$ 5,619,511

(.14)%

100.08%

CITY OF SWEETWATER, TENNESSEE

**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

(continued)

June 30, 2019

Teacher Retirement Plan

	Measurement date at June 30,			
	2018	2017	2016	2015
Proportion of the net pension liability (asset)	\$ (34,105)	\$ (19,422)	\$ (5,479)	\$ (2,112)
Proportionate share of the net pension liability (asset)	0.075200%	0.073608%	0.052629%	0.052487%
Covered employee payroll	\$ 657,161	\$ 483,122	\$ 231,568	\$ 109,054
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(5.19)%	(4.02)%	(2.37)%	(1.94)%
Plan fiduciary net position as a percentage of the total pension liability	126.97%	126.81%	121.88%	127.46%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Measurement date at June 30,  
2014

\$ 0

0.00%

\$ 0

0.00%

0.00%

CITY OF SWEETWATER, TENNESSEE

**CHANGES IN NET OPEB LIABILITY(ASSET) AND RELATED RATIOS**

June 30, 2019

<u>Utility Employee OPEB Plan</u>	Measurement Date at June 30, 2019
<u>Total OPEB liability</u>	
Service cost	\$ 3,552
Interest	8,355
Differences between actual and expected experience	(7,404)
Changes in assumptions	<u>(175,266)</u>
Net change in total OPEB liability	(170,763)
Total OPEB liability - beginning	<u>331,029</u>
Total OPEB liability - ending (a)	160,266
 <u>Plan fiduciary net position</u>	
Contributions - employer	-
Net investment income	<u>17,669</u>
Net change in plan fiduciary net position	17,669
Plan fiduciary net position - beginning	<u>311,170</u>
Plan fiduciary net position - ending (b)	<u>328,839</u>
 Net pension liability(asset) - ending (a) - (b)	<u>\$ (168,573)</u>
 Plan fiduciary net position as a percentage of total net pension liability	 205.18%
 Covered employee payroll	 \$ 2,791,042
 Net pension liability(asset) as a percentage of covered employee payroll	 -6.04%

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

See the accompanying independent accountants' audit report

Measurement Date at June 30,	
2018	2017
\$ 11,723	\$ 12,009
17,910	16,926
(11,855)	(10,773)
-	-
<u>17,778</u>	<u>18,162</u>
<u>313,251</u>	<u>295,089</u>
<u>331,029</u>	<u>313,251</u>
-	36,000
<u>16,188</u>	<u>24,247</u>
<u>16,188</u>	<u>60,247</u>
<u>294,982</u>	<u>234,735</u>
<u>311,170</u>	<u>294,982</u>
<u>\$ 19,859</u>	<u>\$ 18,269</u>

60.82%	52.78%
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\$ 2,683,606	\$2,593,392
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0.74%	0.70%
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CITY OF SWEETWATER, TENNESSEE

**PENSION CONTRIBUTIONS**

June 30, 2019

Public Employee Retirement Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 173,757	\$ 181,312	\$ 260,806
Contributions in relation to the actuarially determined contributions	<u>(173,757)</u>	<u>(181,312)</u>	<u>(260,806)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,448,948	\$ 2,553,679	\$ 3,673,327
Contributions as a percentage of covered employee payroll	7.10%	7.10%	7.10%

Teacher Legacy Retirement Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 560,450	\$ 491,327	\$ 485,399
Contributions in relation to the contractually required contributions	<u>(560,450)</u>	<u>(491,327)</u>	<u>(485,399)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 5,358,028	\$ 5,411,099	\$ 5,367,444
Contributions as a percentage of covered employee payroll	10.46%	9.08%	9.04%

See the accompanying independent accountants' audit report.

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

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

CITY OF SWEETWATER, TENNESSEE

**PENSION CONTRIBUTIONS**

(continued)

June 30, 2019

Teacher Retirement Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 14,825	\$ 10,717	\$ 19,767
Contributions in relation to the actuarially determined contributions	<u>(14,825)</u>	<u>(26,286)</u>	<u>(19,767)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ (15,569)</u>	<u>\$ 0</u>
Covered employee payroll	\$ 764,181	\$ 652,067	\$ 494,112
Contributions as a percentage of covered employee payroll	4.00%	1.64%	4.00%

Utility Employee Retirement Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 357,081	\$ 408,049	\$ 472,742
Contributions in relation to the contractually required contributions	<u>(782,078)</u>	<u>(511,997)</u>	<u>(1,071,730)</u>
Contributions deficiency(excess)	<u>\$ (424,997)</u>	<u>\$ (103,948)</u>	<u>\$ (598,988)</u>
Covered employee payroll	\$ 1,729,267	\$ 1,669,868	\$ 1,970,574
Contributions as a percentage of covered employee payroll	45.23%	30.66%	54.39%



<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 5,797	\$ 2,726	not applicable
<u>(9,263)</u>	<u>(4,362)</u>	not applicable
<u>\$ (3,466)</u>	<u>\$ (1,636)</u>	
\$ 231,568	\$ 109,054	not applicable
4.00%	4.00%	

<u>2016</u>	<u>2015</u>
\$ 503,303	\$ 370,464
<u>(1,379,585)</u>	<u>(390,344)</u>
<u>\$ (876,282)</u>	<u>\$ (19,880)</u>
\$ 1,967,078	\$ 1,995,740
70.13%	19.56%

CITY OF SWEETWATER, TENNESSEE

**PENSION CONTRIBUTIONS**

(continued)

June 30, 2019

Utility Employee OPEB Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 10,730	\$ 38,762	\$ 1,680
Contributions in relation to the actuarially determined contributions	<u>(10,730)</u>	<u>(38,762)</u>	<u>(1,680)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,791,042	\$ 2,683,606	\$ 2,593,392
Contributions as a percentage of covered employee payroll	-0.38%	1.44%	0.06%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO PENSION CONTRIBUTIONS**

June 30, 2019

*Public Employee Retirement Plan*

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2019 were calculated based on the June 30, 2017 actuarial valuation.

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including and adjustment for some anticipated improvement
Cost of living adjustments	2.25%

During the year ended June 30, 2019, the City placed the actuarially determined contributions rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

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

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**NOTES TO PENSION CONTRIBUTIONS**

(continued)

June 30, 2019

*Utility Employee Retirement Plan*

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

Actuarial cost method	Frozen initial liability – entry age normal cost
Amortization method	Level percentage, closed (not to exceed 30 years)
Remaining amortization period	17 years
Asset valuation	5-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	3.0%
Investment rate of return	5.5%
Retirement age	62
Mortality	RH 2014 Healthy Annuitant Mortality Table using MP-2018 mortality improvements

*Utility Employee OPEB Plan*

Valuation Date - Actuarially determined contribution rates for 2019 were calculated based on the July 1, 2018 actuarial valuation.

Actuarial cost method	Entry age normal
Amortization method	Year level dollar
Remaining amortization period	18 years
Asset valuation	Market value
Inflation	3.0%
Salary increases	3.0%
Investment rate of return	5.5%
Retirement age	62
Mortality	RP 2014 Employee Mortality Table projected for mortality improvements using the MP-2018 Table

OTHER SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2019

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Library Fund</u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 0	\$ 152,039	\$ 1,554	\$ 45,759
Grant receivable	<u>6,129</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,129</u>	<u>\$ 152,039</u>	<u>\$ 1,554</u>	<u>\$ 45,759</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,737	\$ 0	\$ 0	\$ 0
<b>FUND BALANCES</b>				
Unrestricted	(608)	0	0	0
Restricted	<u>0</u>	<u>152,039</u>	<u>1,554</u>	<u>45,759</u>
	<u>(608)</u>	<u>152,039</u>	<u>1,554</u>	<u>45,759</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,129</u>	<u>\$ 152,039</u>	<u>\$ 1,554</u>	<u>\$ 45,759</u>

See the accompanying independent accountants' audit report.

<u>Tourism Fund</u>	<u>Totals</u>
\$ 32,537	\$ 231,889
<u>0</u>	<u>6,129</u>
<u>\$ 32,537</u>	<u>\$ 238,018</u>
\$ 0	\$ 6,737
0	(608)
<u>32,537</u>	<u>231,889</u>
<u>32,537</u>	<u>231,280</u>
<u>\$ 32,537</u>	<u>\$ 238,018</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Library Fund</u>
<b>REVENUE</b>				
Daily collections	\$ 0	\$ 0	\$ 0	\$ 9,422
Contributions	0	0	0	59,922
Occupancy tax	0	0	0	0
Grants	64,767	0	0	0
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>40</u>
<b>TOTAL REVENUE</b>	64,767	0	0	69,384
<b>EXPENDITURES</b>				
Personnel	0	0	0	125,873
Buildings and grounds	0	0	0	18,978
Utilities	0	0	0	10,913
Supplies	0	100	0	8,444
Equipment	0	0	0	3,814
Facilities	65,728	0	0	0
Programs	0	0	0	3,558
Informational technology	0	0	0	1,968
Materials, support and development	0	0	0	14,642
Travel, training and development	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,581</u>
<b>TOTAL EXPENDITURES</b>	<u>65,728</u>	<u>100</u>	<u>0</u>	<u>189,771</u>

See the accompanying independent accountants' audit report.



<u>Tourism Fund</u>	<u>Totals</u>
\$ 0	\$ 9,422
0	59,922
32,537	32,537
0	64,767
0	40
32,537	166,688
0	125,873
0	18,978
0	10,913
0	8,544
0	3,814
0	65,728
0	3,558
0	1,968
0	14,642
0	1,581
0	255,598

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Capital Project Fund</u>	<u>Library Fund</u>
<b>(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES</b>	(961)	(100)	0	(120,387)
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfer to general fund	0	(3,162)	0	0
Transfer from general fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
	0	(3,162)	0	120,000
<b>(DEFICIENCY)EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES(USES)</b>	0	(3,262)	0	(387)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>353</u>	<u>155,301</u>	<u>1,554</u>	<u>46,146</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ (608)</u>	<u>\$ 152,039</u>	<u>\$ 1,554</u>	<u>\$ 45,759</u>

<u>Tourism Fund</u>	<u>Totals</u>
32,537	(88,911)
0	(3,162)
<u>0</u>	<u>120,000</u>
0	116,838
32,537	27,927
<u>0</u>	<u>203,353</u>
<u>\$ 32,537</u>	<u>\$ 231,280</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
<b>REVENUE</b>				
Home Grant	\$ 0	\$ 150,000	\$ 64,767	\$ (85,233)
<b>EXPENDITURES</b>				
Home rehabilitation	<u>0</u>	<u>150,000</u>	<u>65,728</u>	<u>(84,272)</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	0	0	(961)	(961)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>353</u>	<u>353</u>
<b>FUND BALANCE(DEFICIT) AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (608)</u>	<u>\$ (608)</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>REVENUE</b>				
Other income	\$ 100	\$ 100	\$ 0	\$ 100
<b>TOTAL REVENUE</b>	100	100	0	100
<b>EXPENDITURES</b>				
Other grants and contributions	4,294	4,294	0	(4,294)
Operating supplies	<u>0</u>	<u>0</u>	<u>100</u>	<u>100</u>
<b>TOTAL EXPENDITURES</b>	<u>4,294</u>	<u>4,294</u>	<u>100</u>	<u>(4,194)</u>
<b>(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES</b>	(4,194)	(4,194)	(100)	4,094
<b>OTHER FINANCING (USES)</b>				
Transfer to general fund	<u>0</u>	<u>0</u>	<u>(3,162)</u>	<u>(3,162)</u>
<b>(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING (USES)</b>	(4,194)	(4,194)	(3,262)	932
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>4,194</u>	<u>4,194</u>	<u>155,301</u>	<u>151,107</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 152,039</u>	<u>\$ 152,039</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	0	0	0	0
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>1,554</u>	<u>1,554</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,554</u>	<u>\$ 1,554</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
<b>REVENUE</b>				
Daily collections	\$ 9,000	\$ 9,000	\$ 9,422	\$ 422
Contributions	180,960	180,960	59,922	(121,038)
Interest	<u>40</u>	<u>40</u>	<u>40</u>	<u>0</u>
<b>TOTAL REVENUE</b>	190,000	190,000	69,384	(120,616)
<b>EXPENDITURES</b>				
Personnel	124,000	124,000	125,873	1,873
Buildings and grounds	17,000	17,000	18,978	1,978
Utilities	13,100	13,100	10,913	(2,187)
Supplies	9,785	9,785	8,444	(1,341)
Programs	4,000	4,000	3,558	(442)
Equipment	2,500	2,500	3,814	1,314
Informational technology	2,000	2,000	1,968	(32)
Materials, support and development	16,415	16,415	14,642	(1,773)
Travel, training and development	<u>1,200</u>	<u>1,200</u>	<u>1,581</u>	<u>381</u>
<b>TOTAL EXPENDITURES</b>	<u>190,000</u>	<u>190,000</u>	<u>189,771</u>	<u>(229)</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	0	0	(120,387)	(120,387)
<b>OTHER FINANCING SOURCES</b>				
Transfer from general fund	<u>0</u>	<u>0</u>	<u>120,000</u>	<u>120,000</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
<b>(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	0	0	(387)	(387)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>46,146</u>	<u>46,146</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,759</u>	<u>\$ 45,759</u>



CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Occupancy tax	\$ 0	\$ 0	\$ 32,537	\$ 32,537
<b>EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	0	0	32,537	32,537
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,537</u>	<u>\$ 32,537</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**INVESTMENTS**

June 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General fund:</u>			
Certificate of deposit	0.10 %	11/09/19	\$ <u>100,000</u>
<u>Electric fund:</u>			
Certificate of deposit	2.30	11/05/19	\$ 100,000
Certificate of deposit	2.30	11/26/19	<u>445,000</u>
			<u>\$ 545,000</u>
<u>Natural gas fund:</u>			
Certificate of deposit	2.12	12/26/19	\$ 100,000
Certificate of deposit	1.75	07/17/19	300,000
Certificate of deposit	2.17	10/08/19	250,000
Certificate of deposit	1.50	08/08/19	300,000
Certificate of deposit	1.50	08/27/19	300,000
Certificate of deposit	2.20	09/05/19	<u>550,000</u>
			<u>\$ 1,800,000</u>
<u>Water and sewer fund:</u>			
Certificate of deposit	2.20	09/05/19	\$ 400,000
Certificate of deposit	2.30	11/05/19	150,000
Certificate of deposit	2.30	11/26/19	<u>55,000</u>
			<u>\$ 605,000</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**PROPERTY TAXES RECEIVABLE**

June 30, 2019

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2018</u>
2019	\$ 1.20	\$ 145,149,987	\$ 1,999,500	\$ 0
2018	1.20	142,825,716	1,967,415	1,967,415
2017	1.20	133,972,055	1,607,821	147,056
2016	1.20	133,812,053	1,605,159	101,386
2015	1.20	133,670,850	1,604,180	77,714
2014	1.20	134,015,090	1,598,712	60,519
2013	1.46	129,476,478	1,894,032	66,153
2012	1.14	132,053,858	1,505,425	50,161
2011	1.14	131,893,504	1,503,595	49,780
2010	1.14	129,730,902	1,478,952	4,459
2009	1.14	131,961,856	1,504,390	2,486
2008	1.14	130,938,364	1,492,946	5,646
2007	Monroe County	1.32	96,082,021	
	McMinn County	1.42	<u>2,566,064</u>	
			98,648,085	1,304,719
				<u>3,269</u>
				<u>\$ 2,536,043</u>

Property taxes unpaid for 2007 through 2017 have been filed with the Monroe County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2019</u>
\$ 1,999,500	\$ 0	\$ 0	\$ 1,999,500
0	4,119	1,856,424	115,110
0	(124)	58,523	88,408
0	(422)	8,796	92,168
0	106	1,823	75,997
0	(340)	8,040	52,139
0	1,120	5,733	61,540
0	(523)	764	48,874
0	(150)	456	49,174
0	(257)	0	4,202
0	(2,486)	0	0
0	(5,646)	0	0
<u>0</u>	<u>(3,269)</u>	<u>0</u>	<u>0</u>
<u>\$ 1,999,500</u>	<u>\$ (7,872)</u>	<u>\$ 1,940,559</u>	<u>\$ 2,587,112</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Adjustable rate Pooled Financing Revenue Bonds, Series 2001			
Year ending June 30,			
2020	\$ 237,000	\$ 63,197	\$ 300,197
2021	244,000	58,291	302,291
2022	252,000	53,240	305,240
2023	260,000	48,024	308,024
2024	268,000	42,642	310,642
2025	276,000	37,094	313,094
2026	285,000	31,381	316,381
2027	294,000	25,482	319,482
2028	303,000	19,396	322,396
2029	312,000	13,124	325,124
2030	322,000	6,665	328,665
	<u>\$ 3,053,000</u>	<u>\$ 398,537</u>	<u>\$ 3,451,537</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond, PBA of Clarksville, Tennessee			
Year ending June 30,			
2020	\$ 71,300	\$ 28,537	\$ 99,837
2021	73,000	26,498	99,498
2022	74,700	24,410	99,110
2023	77,400	22,274	99,674
2024	79,100	20,060	99,160
2025	81,900	17,798	99,698
2026	83,700	15,455	99,155
2027	86,400	13,062	99,462
2028	89,300	10,591	99,891
2029	91,100	8,037	99,137
2030	94,000	5,431	99,431
2031	93,300	2,743	96,043
	<u>\$ 995,200</u>	<u>\$ 194,896</u>	<u>\$ 1,190,096</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority			
Year ending June 30,			
2020	\$ 92,400	\$ 18,672	\$ 111,072
2021	94,272	16,800	111,072
2022	96,168	14,904	111,072
2023	98,112	12,960	111,072
2024	100,092	10,980	111,072
2025	102,108	8,964	111,072
2026	104,172	6,900	111,072
2027	106,272	4,800	111,072
2028	108,420	2,652	111,072
2029	71,801	924	72,725
	<u>\$ 973,817</u>	<u>\$ 98,556</u>	<u>\$ 1,072,373</u>
Ford Motor Credit, vehicle lease			
Year ending June 30,			
2020	\$ 48,929	\$ 7,615	\$ 56,544
2021	52,599	3,945	56,544
	<u>\$ 101,528</u>	<u>\$ 11,560</u>	<u>\$ 113,088</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Adjustable rate Local Government Loan Program Bonds, Series 2017			
Year ending June 30,			
2020	\$ 84,000	\$ 39,043	\$ 123,043
2021	86,000	37,616	123,616
2022	88,000	36,155	124,155
2023	90,000	34,661	124,661
2024	91,000	33,150	124,150
2025	93,000	31,606	124,606
2026	95,000	30,029	125,029
2027	97,000	28,419	125,419
2028	99,000	26,776	125,776
2029	101,000	25,099	126,099
2030	103,000	23,389	126,389
2031	105,000	21,646	126,646
2032	107,000	19,870	126,870
2033	109,000	18,061	127,061
2034	111,000	16,218	127,218
2035	114,000	14,326	128,326
2036	116,000	12,400	128,400
2037	118,000	10,441	128,441
2038	121,000	8,433	129,433
2039	123,000	6,391	129,391
2040	126,000	4,299	130,299
2041	128,000	2,175	130,175
2042	131,000	1,394	132,394
	<u>\$ 2,436,000</u>	<u>\$ 481,599</u>	<u>\$ 2,917,599</u>



CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Adjustable rate Pooled Financing Revenue Bonds, Series 2001 County, Tennessee			
Year ending June 30,			
2020	\$ 412,000	\$ 13,292	\$ 425,292
2021	428,000	10,894	438,894
2022	445,000	8,404	453,404
2023	463,000	5,814	468,814
2024	482,000	3,119	485,119
2025	<u>96,000</u>	<u>510</u>	<u>96,510</u>
	<u>\$ 2,326,000</u>	<u>\$ 42,033</u>	<u>\$ 2,368,033</u>

Interest is estimated based on the rate at June 30, 2019 of 2.07%

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Interdepartmental Loan - Gas Department			
Year ending June 30,			
2020	\$ 45,268	\$ 14,954	\$ 60,222
2021	45,951	14,271	60,222
2022	46,645	13,577	60,222
2023	47,350	12,872	60,222
2024	48,065	12,157	60,222
2025	48,791	11,431	60,222
2026	49,528	10,694	60,222
2027	50,276	9,946	60,222
2028	51,035	9,187	60,222
2029	51,806	8,416	60,222
2030	52,589	7,633	60,222
2031	53,383	6,839	60,222
2032	54,189	6,033	60,222
2033	55,008	5,214	60,222
2034	55,839	4,383	60,222
2035	56,682	3,540	60,222
2036	57,538	2,684	60,222
2037	58,407	1,815	60,222
2038	59,289	933	60,222
2039	29,981	128	30,109
	<u>\$ 1,017,620</u>	<u>\$ 156,707</u>	<u>\$ 1,174,327</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority 2.13% revolving loan			
Year ending June 30,			
2020	\$ 35,485	\$ 5,664	\$ 41,149
2021	36,252	4,896	41,148
2022	37,032	4,116	41,148
2023	37,824	3,324	41,148
2024	38,640	2,508	41,148
2025	39,468	1,680	41,148
2026	40,320	828	41,148
2027	16,994	49	17,043
	<u>\$ 282,015</u>	<u>\$ 23,065</u>	<u>\$ 305,080</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority 2.45% revolving loan			
Year ending June 30,			
2020	\$ 62,893	\$ 12,744	\$ 75,637
2021	64,452	11,184	75,636
2022	66,048	9,588	75,636
2023	67,680	7,956	75,636
2024	69,360	6,276	75,636
2025	71,076	4,560	75,636
2026	72,840	2,796	75,636
2027	74,812	823	75,635
	<u>\$ 549,161</u>	<u>\$ 55,927</u>	<u>\$ 605,088</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond Fund 2.51% loan			
Year ending June 30,			
2020	\$ 312,000	\$ 90,460	\$ 402,460
2021	324,000	82,554	406,554
2022	336,000	74,346	410,346
2023	349,000	65,831	414,831
2024	362,000	56,990	418,990
2025	376,000	47,816	423,816
2026	390,000	38,290	428,290
2027	405,000	28,407	433,407
2028	420,000	18,147	438,147
2029	408,000	7,680	415,680
	<u>\$ 3,682,000</u>	<u>\$ 510,521</u>	<u>\$ 4,192,521</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority 0.99% revolving loan			
Year ending June 30,			
2020	\$ 85,801	\$ 15,264	\$ 101,065
2021	86,652	14,412	101,064
2022	87,516	13,548	101,064
2023	88,392	12,672	101,064
2024	89,268	11,796	101,064
2025	90,156	10,908	101,064
2026	91,056	10,008	101,064
2027	91,956	9,108	101,064
2028	92,868	8,196	101,064
2029	93,792	7,272	101,064
2030	94,728	6,336	101,064
2031	95,676	5,388	101,064
2032	96,624	4,440	101,064
2033	97,584	3,480	101,064
2034	98,556	2,508	101,064
2035	99,540	1,524	101,064
2036	100,462	536	100,998
	<u>\$ 1,580,627</u>	<u>\$ 137,396</u>	<u>\$ 1,718,023</u>

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority 0.99% revolving loan			
Year ending June 30,			
2020	\$ 5,876	\$ 10,786	\$ 16,662
2021	10,284	18,276	28,560
2022	10,558	18,002	28,560
2023	10,838	17,722	28,560
2024	11,126	17,434	28,560
2025	11,422	17,138	28,560
2026	11,725	16,835	28,560
2027	12,037	16,523	28,560
2028	12,356	16,204	28,560
2029	12,685	15,875	28,560
2030	13,022	15,538	28,560
2031	13,368	15,192	28,560
2032	13,723	14,837	28,560
2033	14,087	14,473	28,560
2034	14,462	14,098	28,560
2035	14,846	13,714	28,560
2036	15,240	13,320	28,560
2037	15,645	12,915	28,560
2038	16,061	12,499	28,560
2039	16,488	12,072	28,560
2040	16,926	11,634	28,560
2041	17,375	11,185	28,560
2042	17,837	10,723	28,560
2043	18,311	10,249	28,560

CITY OF SWEETWATER, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue and Tax Bond Anticipation Notes - Series 2017			
Year ending June 30,			
2044	\$ 18,797	\$ 9,763	\$ 28,560
2045	19,297	9,263	28,560
2046	19,809	8,751	28,560
2047	20,336	8,224	28,560
2048	20,876	7,684	28,560
2049	21,431	7,129	28,560
2050	22,000	6,560	28,560
2051	22,585	5,975	28,560
2052	23,185	5,375	28,560
2053	23,801	4,759	28,560
2054	24,433	4,127	28,560
2055	25,082	3,478	28,560
2056	25,748	2,812	28,560
2057	26,433	2,127	28,560
2058	27,135	1,425	28,560
2059	27,856	704	28,560
2060	11,822	227	12,049
	<u>\$ 706,924</u>	<u>\$ 435,627</u>	<u>\$ 1,142,551</u>



CITY OF SWEETWATER, TENNESSEE

**PRINCIPAL OFFICIALS**

June 30, 2019

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

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**  
**ELECTRIC FUND**

June 30, 2019

Residential:

Base charges:

Customer charge per month	\$ 23.42
Energy charge (cents per kilowatt-hour)	8.55

Commercial, industrial, governmental and institutional customers:

Base charges:

1. Customer's billing demand for the month or its contract demand is less than 50 kilowatts:	
Customer charge per delivery point per month – Single Phase	\$ 25.02
Customer charge per delivery point per month – Three Phase	34.43
Energy charge (cents per kilowatt-hour)	9.942
2. Customer's billing demand for the month or its contract demand is at least 50 kilowatts, but less than 1,000 kilowatts:	
Customer charge per delivery point per month	\$ 35.42
Demand charge for first 50 kilowatts of billing demand per month	No charge
Demand charge in excess of 50 kilowatts of billing demand per month, per kilowatt	12.61
Energy charge for first 15,000 kilowatt-hours per month (cents per kilowatt-hour)	10.151
Energy charge for additional kilowatt-hours per month (cents per kilowatt-hour)	5.856
3. Customer's contract demand is at least 1,000 kilowatts, but less than 5,000 kilowatts:	
Customer charge per delivery point per month	\$ 75.89
Demand charge for first 1,000 kilowatts of billing demand per month (per kilowatt)	13.26
Demand charge in excess of 1,000 kilowatts per month (per kilowatt)	15.88
Energy charge (cents per kilowatt-hour)	5.89

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**

**ELECTRIC FUND**

(continued)

June 30, 2019

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

Customer charge per delivery point per month	\$ 1,500
Demand charge on peak kilowatt (per kilowatt)	9.27
Demand charge, max per kilowatt over 5,000 kilowatts	2.26
Demand charge, max per kilowatt if less than 5,000 kilowatts	3.57
Energy charge per kilowatt-hour:	
On peak, over 5,000 kilowatts	.05239
On peak, under 5,000 kilowatts	.05072
Off peak-first 200 HUD (over 5,000 kilowatts)	.05239
Off peak-first 200 HUD (under 5,000 kilowatts)	.05072
Off peak-next 200 HUD	.02018
Off peak-additional HUD	.01763

Facilities rental charge applicable under item 4 above:

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

CITY OF SWEETWATER, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**  
**ELECTRIC FUND**  
(continued)

June 30, 2019

Outdoor lighting:	
Customer charge: traffic signals and athletic field lighting per delivery point per month	\$ 7.60
Energy charge (cents per kilowatt-hour)	6.702
Facilities rental:	
Annual charge of the installed cost to the electric system of the facilities	
Devoted to street and park lighting service	10%

NUMBER OF METERED CUSTOMERS

Residential	7,108
General power-under 50 kilowatts	1,755
General power-50 kilowatts and over	109
Street and athletic	<u>69</u>
	9,041
Outdoor lighting	2,364

CITY OF SWEETWATER, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**  
**NATURAL GAS FUND**

June 30, 2019

General:

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

Schools:

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

NUMBER OF METERED CUSTOMERS

Residential	1,274
Commercial	263
Industrial	23
Schools	<u>21</u>
	1,581

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**  
**WATER AND SEWER FUND**

June 30, 2019

Inside City limits:

Water:

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

Sewer:

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

Outside City limits:

Water:

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

Sewer:

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

NUMBER OF METERED CUSTOMERS

	<u>Water</u>	<u>Sewer</u>
Residential	4,040	1,889
Commercial	534	364
Industrial	<u>20</u>	<u>19</u>
	4,594	2,272

See the accompanying independent accountants' audit report.



**AWWA Free Water Audit Software:  
Reporting Worksheet**

WAS v5.0  
American Water Works Association  
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? Click to access definition  
+ Click to add a comment

Water Audit Report for: **Sweetwater Utilities Board**  
Reporting Year: **2019** / **7/2018 - 6/2019**

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

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

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

**WATER SUPPLIED**

Volume from own sources:  363.023 MG/Yr  
Water imported:  94.583 MG/Yr  
Water exported:

Master Meter and Supply Error Adjustments

Pcnt:  Value:  MG/Yr  
Pcnt:  Value:  MG/Yr  
Pcnt:  Value:  MG/Yr

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

**WATER SUPPLIED:**  MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:  317.483 MG/Yr  
Billed unmetered:  0.659 MG/Yr  
Unbilled metered:   
Unbilled unmetered:  MG/Yr

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

**AUTHORIZED CONSUMPTION:**  MG/Yr

Click here:  for help using option buttons below

Pcnt:  Value:  MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt:  Value:  MG/Yr

MG/Yr  
 MG/Yr

**WATER LOSSES (Water Supplied - Authorized Consumption)**

MG/Yr

**Apparent Losses**

Unauthorized consumption:  MG/Yr

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

Customer metering inaccuracies:  4.019 MG/Yr  
Systematic data handling errors:  MG/Yr

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

**Apparent Losses:**  MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

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

**WATER LOSSES:**  MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:  132.0 miles  
Number of active AND inactive service connections:  4,740  
Service connection density:  conn./mile main

Are customer meters typically located at the curbside or property line?

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

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

Average operating pressure:  70.0 psi

**COST DATA**

Total annual cost of operating water system:  \$2,155,062 \$/Year  
Customer retail unit cost (applied to Apparent Losses):  \$7.43 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):  \$912.22 \$/Million gallons  Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

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

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

**PRIORITY AREAS FOR ATTENTION:**

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

**1: Billed unmetered**

**2: Volume from own sources**

**3: Unauthorized consumption**

See independent accountants' audit report.



**AWWA Free Water Audit Software:  
System Attributes and Performance Indicators**

WAS v5.0  
American Water Works Association,  
Copyright © 2014, All Rights Reserved.

Water Audit Report for:   
Reporting Year:

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

**System Attributes:**

Apparent Losses:	<input type="text" value="5.965"/>	MG/Yr
+ Real Losses:	<input type="text" value="131.324"/>	MG/Yr
= <b>Water Losses:</b>	<input type="text" value="137.289"/>	MG/Yr
<input type="text" value="?"/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="36.41"/>	MG/Yr
Annual cost of Apparent Losses:	<input type="text" value="\$44,323"/>	
Annual cost of Real Losses:	<input type="text" value="\$119,796"/>	Valued at <b>Variable Production Cost</b>

Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	}	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="31.0%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="7.9%"/>	Real Losses valued at Variable Production Cost
Operational Efficiency:	}	Apparent Losses per service connection per day:	<input type="text" value="3.45"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="75.91"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="1.08"/>	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="131.32"/>	million gallons/year
		<input type="text" value="?"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="3.61"/>	

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

See independent accountants' audit report.



CITY OF SWEETWATER, TENNESSEE

**OPERATIONS EXPENSES - PROPRIETARY FUNDS**

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Purchased power/gas/water	\$ 19,285,337	\$ 1,426,151	\$ 0	\$ 20,711,488
Other operations expenses:				
Distribution expenses:				
Operating supervision	80,893	0	31,164	112,057
Operating labor	0	0	434,446	434,446
Transmission, distribution lines and load dispatching	0	773	56,110	56,883
Mains and services	0	175,424	0	175,424
Station expense	720	0	0	720
Overhead line	120,628	0	0	120,628
Street lighting and signal system	2,101	0	0	2,101
Meter expense and house regulator	99,592	32,600	0	132,192
Chemicals	0	0	125,937	125,937
Pre-treatment testing	0	0	3,788	3,788
Customer installations	33,535	0	0	33,535
Purchased power and gas	0	0	170,696	170,696
Miscellaneous distribution expense	31,889	0	172,542	204,431
Rents	2,015	0	0	2,015
	<u>371,373</u>	<u>208,797</u>	<u>994,683</u>	<u>1,574,853</u>
Customer accounts expenses:				
Supervision	5,128	0	0	5,128
Meter reading	48,593	19,161	49,170	116,924
Customer records and collection	286,826	59,847	110,968	457,641
	<u>340,547</u>	<u>79,008</u>	<u>160,138</u>	<u>579,693</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

**OPERATIONS EXPENSES - PROPRIETARY FUNDS**

(continued)

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Customer service expenses:				
Customer assistance	15,855	13,673	0	29,528
Administrative and general expenses:				
Salaries	174,886	54,602	89,780	319,268
Office supplies	85,186	8,990	27,442	121,618
Outside services	31,706	4,812	20,638	57,156
Property insurance	25,014	1,690	18,496	45,200
Injuries and damages insurance	91,047	7,604	59,564	158,215
Employees' pension and postemployment benefits	480,198	138,028	162,608	780,834
General advertising	0	3,080	0	3,080
Miscellaneous general	55,918	13,604	32,905	102,427
Industrial development	10,449	0	0	10,449
Rents	19,800	5,560	20,582	45,942
	<u>974,204</u>	<u>237,970</u>	<u>432,015</u>	<u>1,644,189</u>
Taxes:				
Payroll	<u>115,659</u>	<u>17,128</u>	<u>46,291</u>	<u>179,078</u>
Total other operations expenses	<u>1,817,638</u>	<u>556,576</u>	<u>1,633,127</u>	<u>4,007,341</u>
<b>TOTAL OPERATIONS EXPENSES</b>	<b><u>\$ 21,102,975</u></b>	<b><u>\$ 1,982,727</u></b>	<b><u>\$ 1,633,127</u></b>	<b><u>\$ 24,718,829</u></b>

CITY OF SWEETWATER, TENNESSEE

**DISTRIBUTION AND MAINTENANCE EXPENSES - PROPRIETARY FUNDS**

Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Distribution expenses:				
Supervision	\$ 53,172	\$ 0	\$ 0	\$ 53,172
Station	8,860	0	0	8,860
Overhead and underground lines	889,817	0	0	889,817
Line transformers	13,534	0	0	13,534
Street lighting and signal system	9,154	0	0	9,154
Distribution plant	49	0	0	49
Meters	8,450	0	0	8,450
	<u>983,036</u>	<u>0</u>	<u>0</u>	<u>983,036</u>
Maintenance expenses:				
Pumping equipment	0	0	32,472	32,472
Structures and improvements	0	1,538	30,214	31,752
Treatment equipment	0	0	7,685	7,685
Transmission and distribution mains	0	0	69,323	69,323
Mains	0	17,380	0	17,380
Measuring and regulating station equipment	0	1,190	0	1,190
Services	0	2,915	38,247	41,162
Meters and house regulators	0	3,541	8,712	12,253
Fire mains and hydrants	0	0	13,757	13,757
Lift station	0	0	10,423	10,423
General plant	47,254	2,154	12,866	62,274
Sewer plant	0	0	1,803	1,803
	<u>47,254</u>	<u>28,718</u>	<u>225,502</u>	<u>301,474</u>
<b>TOTAL DISTRIBUTION AND MAINTENANCE EXPENSES</b>	<u>\$ 1,030,290</u>	<u>\$ 28,718</u>	<u>\$ 225,502</u>	<u>\$ 1,284,510</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2019

Governmental Activities:

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Agriculture/ Tennessee Department of Education	10.555	N/A	\$ 552,293
U.S. Department of Agriculture/ Tennessee Department of Education	10.553	N/A	194,873
U.S. Department of Agriculture/ Tennessee Department of Education	10.559	N/A	22,443
U.S. Department of Education	84.027	N/A	388,272
U.S. Department of Education	84.173	N/A	23,258
U.S. Department of Education	84.010	N/A	489,094
U.S. Department of Education	84.367A	N/A	66,788
U.S. Department of Education	84.365A	N/A	10,402
U.S. Department of Education	84.358B	N/A	13,136
U.S. Department of Transportation/ Tennessee Department of Transportation	20.607	Z19THS276	4,951

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2019

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
Department of Homeland Security FEMA	97.044	EMW-2017-FO- 05880	34,209
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	STP-M-9118(9)	28,019
U.S. Department of Justice	16.607	N/A	551
U.S. Department of Housing and Urban Development	14.228	12078	<u>64,489</u>
Total Federal Awards			1,892,778
<u>State Financial Assistance</u>			
Tennessee Department of Economic and Conservation	N/A	50740	<u>210,863</u>
Total Federal Awards and State Financial Assistance			<u>\$ 2,103,641</u>

**NOTE 1 – BASIS OF PRESENTATION**

This schedule summarizes the expenditures of City of Sweetwater, Tennessee under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the modified accrual basis of accounting.

**NOTE 2 – OUTSTANDING LOAN BALANCE**

City of Sweetwater, Tennessee had no federal loans outstanding at June 30, 2019.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2019

**NOTE 3 – INDIRECT COST RATE**

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

Business-Type Activities:

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Agriculture	10.760	N/A	\$ 706,924

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – OUTSTANDING LOAN BALANCE**

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

**NOTE 3 – INDIRECT COST RATE**

The Utility has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF SWEETWATER, TENNESSEE

**CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**

June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
<b>Governmental Activities</b>			
<u>Bonds Payable</u>			
Tennessee Municipal Bond, Series 2001	\$ 6,000,000	3.020	1/28/2002
Tennessee Municipal Bond Loan	1,200,000	2.860	6/20/2016
Tennessee Municipal Bond, Series 2017	2,600,000	3.000	4/20/2017
<u>Notes Payable</u>			
Tennessee Local Development Authority	1,829,399	2.000	3/23/2009
Ford Motor Credit	158,073	7.500	5/3/2019
	<u>\$ 11,787,472</u>		
<b>Business-Type Activities</b>			
<u>Notes Payable</u>			
State Revolving Loan SRF 2003-170	\$ 1,000,000	2.13%	2/24/2004
State Revolving Loan SRF 07-177	1,200,000	2.450	7/14/2004
State Revolving Loan DG3 14-148	1,833,000	0.990	7/1/2014
Water and Sewer Revenue and Tax Bond			
Anticipation Notes	706,924	2.625	3/26/19 - 6/12/2019
Tennessee Local Development Authority Loan	6,500,000	2.510	4/5/2010
County of Montgomery, Tennessee Pooled Loan Program, Loan 50325	7,000,000	2.070	10/19/2005
Interdepartment Loan - Gas Department	1,040,000	1.500	11/1/2018
	<u>\$ 19,279,925</u>		

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2018</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2019</u>
5/25/2030	\$ 3,283,000	0	\$ 230,000	0	\$ 3,053,000
5/1/2031	1,066,500	0	71,300	0	995,200
5/25/2042	730,773	1,788,227	83,000	0	2,436,000
2/28/2029	1,066,217	0	92,400	0	973,817
5/3/2021	0	158,073	56,544	0	101,528
	<u>\$ 6,146,490</u>	<u>\$ 1,946,300</u>	<u>\$ 533,244</u>	<u>\$ 0</u>	<u>\$ 7,559,545</u>
11/20/2026	\$ 316,755	\$ 0	\$ 34,740	\$ 0	\$ 282,015
6/20/2027	610,529	0	61,368	0	549,161
6/20/1936	1,665,587	0	84,960	0	1,580,627
	0	706,924		0	706,924
4/1/2029	3,982,000	0	300,000	0	3,682,000
5/1/2025	2,722,000	0	396,000	0	2,326,000
11/1/1938	0	1,040,000	22,380	0	1,017,620
	<u>\$ 9,296,871</u>	<u>\$ 1,746,924</u>	<u>\$ 899,448</u>	<u>\$ 0</u>	<u>\$ 10,144,347</u>



INTERNAL CONTROL

AND

COMPLIANCE

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sweetwater, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Sweetwater, Tennessee's basic financial statements, and have issued our report thereon dated April 8, 2020. Our report includes a reference to other auditors who audited the financial statements of the electric fund, natural gas fund and water and sewer fund, as described in our report on City of Sweetwater, Tennessee's financial statements. This reports does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Sweetwater, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sweetwater, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sweetwater, Tennessee's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

April 8, 2020

CITY OF SWEETWATER, TENNESSEE

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Year Ended June 30, 2019

There were no prior year findings reported.

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

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Sweetwater, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of City of Sweetwater, Tennessee's major federal programs for the year ended June 30, 2019. City of Sweetwater, Tennessee's major federal program are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for City of Sweetwater, Tennessee's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Sweetwater, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Sweetwater, Tennessee's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, City of Sweetwater, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of City of Sweetwater, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sweetwater, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Sweetwater, Tennessee's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mitchell Emert & Hill*

April 8, 2020

CITY OF SWEETWATER, TENNESSEE

**FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2019

**SUMMARY OF AUDIT RESULTS**

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

<u>Program Name</u>	<u>CFDA No.</u>
USDA Section 4	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Title 1 Grants to Local Educational Agencies	84.010

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

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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