

Financial Statements

CITY OF SWEETWATER, TENNESSEE

Year Ended June 30, 2022

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, the respective changes in its financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, state street aid fund, drug enforcement fund, general purpose school fund, school cafeteria fund, school capital project fund and school federal project fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the electric fund, the natural gas fund, or the water and sewer fund, which represent 100 percent of the assets, net position and revenue of the business-type activities. We did not audit the Sweetwater Utility Board Defined Benefit Pension Plan which represents 100 percent of the fiduciary funds presented in City of Sweetwater, Tennessee's financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the proprietary funds and fiduciary funds, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Sweetwater, Tennessee and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Sweetwater, Tennessee's ability to continue as a going concern within twelve months after the date of the financial statements, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Sweetwater, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Sweetwater, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 14, the schedule of changes in net pension liability(asset) and related ratios on pages 148 to 155, the proportionate share of the net pension liability(asset) on pages 156 to 159, changes in net OPEB liability(asset) and related ratios on pages 160 to 161, changes in proportionate share of collective OPEB liability and related ratios on pages 162 to 165, schedule of pension contributions on pages 166 to 169, notes to pension contributions on pages 170 to 171, and the OPEB contributions on pages 172 to 173 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedules of utility rates and metered customers and principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 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 City of Sweetwater, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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.

January 10, 2023

Management's Discussion and Analysis For the Year Ended June 30, 2022

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, 2022.

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 15.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- The net position of the City at June 30, 2022 was \$96,557,386 (\$88,503,878 in 2021). Of this amount, \$27,151,735 may be used to meet the City's ongoing obligations to citizens and creditors (\$27,179,301 in 2021).
- The City's net position increased by \$8,746,384 (9.8%) during the year ended June 30, 2022 and increased by \$7,436,988 (7.5%), during the year ended June 30, 2021.
- At June 30, 2021 the City's governmental funds reported combined ending fund balances of \$16,832,806, an increase of \$3,227,156 for the year ending June 30, 2021. Approximately 34% of this total amount (\$5,771,216) is available for spending at the City's discretion. At June 30, 2021 combined ending fund balances from governmental funds was \$13,605,649 an increase of \$3,655,168 from June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

The governmental activities of the City include the following:

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

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

The government-wide financial statements can be found on pages 15 to 22 of this report.

Fund financial statements

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

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

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

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

The City adopts annual appropriation budgets for each of its governmental funds other than the internal school fund. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all of the City's major funds and are presented on pages 34 to 54. Budget comparisons for nonmajor funds are included as supplementary information on pages 180 to 184.

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 67 of this report.

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City's changes in net pension liability(asset) in funding its obligation to provide pension benefits and other post-employment benefits to its employees and information about pension contributions and other post-employment benefit contributions are included as required supplementary information on pages 148 to 173 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 \$96,557,386 at June 30, 2022 and \$88,503,878 at June 30, 2021.

The largest portion of the City's net position (56%) 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.

A portion of the City's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$27,151,735 and \$27,179,301 at June 30, 2022 and 2021, respectively) may be used to meet the City's ongoing obligations to citizens and creditors.

At June 30, 2022 and 2021 the City's statement of net position consisted of the following:

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets	\$ 57,758,033	\$ 44,633,195
Capital assets, net of accumulated depreciation	<u>67,850,298</u>	<u>66,709,375</u>
TOTAL ASSETS	125,608,331	111,342,570
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension and other postemployment benefits	<u>6,231,262</u>	<u>4,725,791</u>
	<u>\$ 131,839,591</u>	<u>\$ 116,068,362</u>
LIABILITIES		
Current liabilities	\$ 9,548,250	\$ 9,001,564
Noncurrent liabilities	<u>12,708,748</u>	<u>14,233,007</u>
TOTAL LIABILITIES	22,256,998	23,234,571
DEFERRED INFLOWS OF RESOURCES		
Taxes collected in advance	2,051,146	2,037,357
Deferred grant revenue	734,563	0
Deferred inflows related to pension and other postemployment benefits	<u>10,239,500</u>	<u>2,292,554</u>
	13,025,209	4,329,911

NET POSITION

Net investment in capital assets	54,310,788	51,789,557
Restricted	15,094,861	12,275,029
Unrestricted	<u>27,151,735</u>	<u>24,439,291</u>
TOTAL NET POSITION	<u>96,557,386</u>	<u>88,503,878</u>
	<u>\$ 131,839,591</u>	<u>\$ 116,068,362</u>

At June 30, 2022 and 2021, the City reported positive balances in all categories of net position.

Following is a summary of financial activities for the City during the fiscal years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 34,566,837	\$ 31,667,590
Operating grants and contributions	14,173,418	11,912,395
Capital grants and contributions	12,478	67,852
General Revenue:		
Taxes	9,426,185	9,263,374
Intergovernmental	1,401,229	1,171,510
Investment earnings	131,992	192,186
Insurance recovery	133,456	34,738
Sale of materials and supplies	65,947	140,130
Miscellaneous	<u>73,433</u>	<u>94,710</u>
TOTAL REVENUE	59,984,975	54,544,485
EXPENSES		
General government	1,227,497	1,352,565
Public safety	2,752,834	2,642,821
Public welfare	1,185,995	1,021,501
Streets and highways	1,153,411	1,217,631
Education	14,014,712	13,480,883
Solid waste collection and disposal	308,952	315,595
Interest on long-term debt	49,891	55,588
Electric	24,732,148	22,135,418
Natural gas	2,611,111	1,762,037
Water and sewer	<u>3,202,040</u>	<u>3,123,456</u>
TOTAL EXPENSES	<u>51,238,591</u>	<u>47,107,497</u>

	<u>2022</u>	<u>2021</u>
INCREASE IN NET POSITION	8,746,384	7,436,988
NET POSITION AT THE BEGINNING OF THE YEAR	88,503,878	80,940,127
Prior period adjustment	<u>(692,874)</u>	<u>126,763</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 96,557,386</u>	<u>\$ 88,503,878</u>

Governmental activities - Governmental activities increased the City's net position during the year ended June 30, 2022 by \$6,150,337. The City received increased tax revenue from local and state shared taxes due to improvements in the economy. They also received increased operating grants due in large part to funding provided for Covid relief. There was a decrease in capital grants due to the conclusion of projects started in the previous year. Governmental activities increased the City's net position by \$4,045,864 during the year ended June 30, 2021.

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

Business-type activities - Business-type activities increased the City's net position by \$2,596,047 for the year ended June 30, 2022, as compared to an increase of \$3,391,124 for the year ended June 30, 2021. The electric department, gas department and water and sewer department contributed to the increase. The change in net position of the electric department was an increase of \$1,587,171. The increase was primarily the result of the increase in energy sales of approximately 8%. The change in net position of the gas department was \$307,358, as compared to the change in net position for the year ending June 30, 2021 of \$416,504. This increase was due primarily to an increase in gas sales due to an unusually large rate increase due to national economic conditions. The change in net position of the water and sewer department was \$701,518. The change in net position of the water and sewer department for the year ending June 30, 2021 was \$753,738. This increase was due primarily to increased water and sewer sales.

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, 2022 the City’s governmental funds reported combined fund balances of \$16,832,806, an increase of \$3,227,156 in comparison with the prior year. Approximately 30% of the fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been committed to the special projects fund (\$74,180), highway and street improvements fund (\$466,487), drug enforcement fund (\$87,030), the economic development fund (\$152,256), the home grant fund (\$4,386), the school general purpose fund (\$9,489,854), the tourism fund (\$67,382), the school cafeteria fund (\$550,722), the school federal projects fund (\$5,343), the school capital projects fund (\$75,699), the school internal school funds (\$114,991), and the library fund (\$49,316).

The general fund is the chief operating fund of the City. At June 30, 2022 unassigned fund balance of the general fund was \$5,695,517. As a matter of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The general fund balance increased \$1,374,296 during the year ended June 30, 2022.

At June 30, 2022 the City has a restricted fund balance of \$11,012,471, the breakdown is as follows: general fund - \$74,180; state street aid fund - \$466,487; drug fund - \$87,030; school federal project fund - \$5,343; economic development fund - \$152,256; home grant fund - \$4,386; school general purpose fund - \$9,489,854; school cafeteria fund - \$550,722; internal school fund - \$114,991; school cafeteria fund - \$550,722; school capital projects fund - \$75,699; tourism fund - \$67,382; and library fund - \$49,316. The net increase in this restricted fund balance during the current year was \$1,846,819. Due to GASB 54, all of the schools fund balance is reflected as restricted funds for the governmental funds of the City. The schools general ledger can provide additional information and is maintained by the school finance officer Janet Collins.

Nonmajor governmental funds had a fund balance of \$388,133 at June 30, 2022, as compared to \$366,402 at June 30, 2021.

Proprietary funds – The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sweetwater Utilities Board amounted to \$20,788,319 at June 30, 2022, and at June 30, 2021 amounted to \$20,489,645. Sweetwater Utilities Board’s general ledger can provide additional information and is maintained by finance officer Jan Broyles.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the Mayor and Board of Commissioners approved amendments to legally adopted appropriations. Budgeted revenue of the general fund increased by approximately \$700,000 due to increases in estimates for local and state shared taxes and increases in grant funding. Budgeted expenditures of the general fund increased by approximately \$600,000 due to increases in anticipated capital outlay as well as increases expected general government, police, fire and recreation salaries and operating expenses. The general fund budget was also amended for anticipated debt proceeds.

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

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

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

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

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

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2022, amounted to \$67,850,298 (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
- An outdoor fitness court
- Building upgrades
- Electric and gas distribution system upgrades

The City's investment in capital assets as of June 30, 2022 for governmental activities was \$24,498,568 (\$23,987,311 in 2021) net of accumulated depreciation.

	<u>2022</u>	<u>2021</u>
Land	\$ 865,274	\$ 865,274
Construction in Progress	37,284	27,909
Buildings and improvements	31,759,920	30,737,555
Vehicles and equipment	8,378,635	7,854,315
Infrastructure	6,358,947	6,358,947
Accumulated depreciation	<u>(22,901,491)</u>	<u>(21,856,689)</u>
Total Capital Assets,		
Net of Accumulated Depreciation	<u>\$ 24,498,568</u>	<u>\$ 23,987,311</u>

The City's net investment in capital assets as of June 30, 2022 for business-type activities was \$43,351,730 (\$42,722,063 in 2021). Additional information on the City's capital assets can be found on pages 89 to 93 of the notes to the financial statements.

DEBT

At June 30, 2022 the City's proprietary funds had outstanding debt of \$7,830,115 (\$8,869,976 in 2021). During the year ended June 30, 2022 the proprietary funds issued no new debt and retired \$1,039,861 (\$1,001,841 in 2021) 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, 2022 the City's governmental funds had outstanding debt of \$6,594,117 (\$6,980,985 in 2021) consisting of the following:

	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ 6,594,117	\$ 6,980,985
Less: current portion due	<u>(639,812)</u>	<u>(577,868)</u>
Total long-term debt principal	<u>\$ 5,954,305</u>	<u>\$ 6,403,117</u>

During the year ended June 30, 2022 the City issued a \$191,000 loan for the purchase of police vehicles and retired \$577,868 (\$546,416 in 2021) of debt of its governmental funds.

The City has a bond rating of Aa3 from Moody's Investors Service and an A+ from S&P Global Ratings. The City has no legal debt limitation imposed by its charter or by state statutes. A debt policy was instituted by the City in December 2012, which has been updated annually.

Additional information on the City's long-term debt can be found in Note I of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Mayor and Board of Commissioners approved the budget for the year ending June 30, 2023. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2022.

Current electric rates are listed on pages 209-211.

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 212.

Current water and sewer rates are listed on page 213.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 15,583,020	\$ 18,172,122	\$ 33,755,142
Certificates of deposit	100,223	1,898,000	1,998,223
Accounts receivable, net of allowance for uncollectible accounts	942,801	2,468,097	3,410,898
Property taxes receivable	2,498,305	0	2,498,305
Taxes receivable	215,594	0	215,594
Due from other governments	1,054,001	0	1,054,001
Net pension asset	10,243,481	0	10,243,481
Customer loan program	0	831,329	831,329
Interest receivable	0	253	253
Grants receivable	4,694	0	4,694
Other	0	164,563	164,563
Sweetwater Utilities Board - Electric Department	0	884,723	884,723
Inventories	0	1,070,067	1,070,067
Prepaid expenses	0	89,655	89,655
Note receivable-customer loan program	0	132,017	132,017
Pension trust contributions	95,575	0	95,575
Other postemployment benefit asset	0	257,512	257,512
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	902,559	1,731,692	2,634,251
Capital assets being depreciated, net of accumulated depreciation	23,596,009	41,620,038	65,216,047
	<u>55,236,261</u>	<u>70,372,068</u>	<u>125,608,331</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 402,319	\$ 2,807,958	\$ 3,210,277
Accrued salaries	26,223	0	26,223
Customer deposits	0	1,153,665	1,153,665
Accrued expenses	0	1,431,349	1,431,349
Net pension liability	0	385,202	385,202
Net OPEB liability	1,626,050	0	1,626,050
Current portion of long-term debt	639,812	1,075,672	1,715,484
Long-term debt, net of current portion	<u>5,954,305</u>	<u>6,754,443</u>	<u>12,708,748</u>
	8,648,709	13,608,289	22,256,998
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	2,051,146	0	2,051,146
Deferred grant revenue	734,563	0	734,563
Deferred inflows related to other postemployment benefits	312,155	238,635	550,790
Deferred inflows related to pensions	<u>8,377,307</u>	<u>1,311,403</u>	<u>9,688,710</u>
	11,475,171	1,550,038	13,025,209

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION

(continued)

June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to other postemployment benefits	607,370	57,909	665,279
Deferred outflows related to pensions	<u>3,385,464</u>	<u>2,180,521</u>	<u>5,565,985</u>
	<u>3,992,834</u>	<u>2,238,428</u>	<u>6,231,262</u>
	<u>\$ 59,229,095</u>	<u>\$ 72,610,496</u>	<u>\$ 131,839,591</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
NET POSITION			
Net investment in capital assets	17,904,450	36,406,338	54,310,788
Restricted	14,837,349	257,512	15,094,861
Unrestricted	<u>6,363,416</u>	<u>20,788,319</u>	<u>27,151,735</u>
	<u>39,105,215</u>	<u>57,452,169</u>	<u>96,557,386</u>
	<u>\$ 59,229,095</u>	<u>\$ 72,610,496</u>	<u>\$ 131,839,591</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 1,227,497	\$ 162,444	\$ 3,782	\$ 0
Public safety	2,752,834	99,617	39,952	7,784
Public welfare	1,185,995	69,183	167,992	0
Streets and highways	1,153,411	37,233	223,749	4,694
Waste management	308,952	302,375	0	0
Education	14,014,712	217,707	13,737,942	0
Interest on long-term debt	<u>49,891</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	20,693,292	888,558	14,173,418	12,478
Business-Type Activities:				
Electric	24,732,148	26,812,758	0	0
Natural gas	2,611,111	2,972,546	0	0
Water and sewer	<u>3,202,040</u>	<u>3,892,975</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>30,545,299</u>	<u>33,678,279</u>	<u>0</u>	<u>0</u>
	<u>\$ 51,238,591</u>	<u>\$ 34,566,837</u>	<u>\$ 14,173,418</u>	<u>\$ 12,478</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (1,061,271)	\$ 0	\$ (1,061,271)
(2,605,481)	0	(2,605,481)
(948,820)		(948,820)
(887,735)	0	(887,735)
(6,577)		(6,577)
(59,063)	0	(59,063)
<u>(49,891)</u>	<u>0</u>	<u>(49,891)</u>
(5,618,838)	0	(5,618,838)
0	2,080,610	2,080,610
0	361,435	361,435
<u>0</u>	<u>690,935</u>	<u>690,935</u>
<u>0</u>	<u>3,132,980</u>	<u>3,132,980</u>
<u>\$ (5,618,838)</u>	<u>\$ 3,132,980</u>	<u>\$ (2,485,858)</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2022

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
\$ (5,618,838)	\$ 3,132,980	\$ (2,485,858)
3,520,337	0	3,520,337
43,030	0	43,030
5,041,206	0	5,041,206
288,009	0	288,009
272,821	0	272,821
72,492	0	72,492
101,311	0	101,311
86,979	0	86,979
1,401,229	0	1,401,229
25,925	106,067	131,992
133,456	0	133,456
65,947	0	65,947
73,433	0	73,433
11,126,175	106,067	11,232,242
643,000	(643,000)	0
11,769,175	(536,933)	11,232,242
6,150,337	2,596,047	8,746,384
32,954,881	54,856,122	87,811,002
<u>\$ 39,105,215</u>	<u>\$ 57,452,169</u>	<u>\$ 96,557,386</u>

CITY OF SWEETWATER, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
ASSETS				
Cash	\$ 5,998,277	\$ 442,926	\$ 88,869	\$ 390,431
Certificates of deposit	100,223	0	0	0
Accounts receivable	59,069	0	0	0
Property taxes receivable	2,498,305	0	0	0
Other taxes receivable	215,594	0	0	0
Grant receivable	0	4,694	0	0
Pension trust contributions	0	0	0	0
Due from other funds	0	0	0	0
Due from other governments	<u>162,375</u>	<u>18,867</u>	<u>0</u>	<u>0</u>
	<u>\$ 9,033,842</u>	<u>\$ 466,487</u>	<u>\$ 88,869</u>	<u>\$ 390,431</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>
\$ 8,024,885	\$ 561,934	\$ 0	\$ 75,699	\$ 15,583,020
0	0	0	0	100,223
0	0	883,732	0	942,801
0	0	0	0	2,498,305
0	0	0	0	215,594
0	0	0	0	4,694
94,558	0	1,017	0	95,575
855,405	0	0	0	855,405
<u>819,434</u>	<u>53,325</u>	<u>0</u>	<u>0</u>	<u>1,054,001</u>
<u>\$ 9,794,282</u>	<u>\$ 615,259</u>	<u>\$ 884,749</u>	<u>\$ 75,699</u>	<u>\$ 21,349,617</u>

CITY OF SWEETWATER, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

(continued)

June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
LIABILITIES				
Accounts payable	\$ 31,437	\$ 0	\$ 1,839	\$ 2,300
Accrued salaries	0	0	0	0
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	31,437	0	1,839	2,300
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	2,498,305	0	0	0
Deferred grant revenue	<u>734,563</u>	<u>0</u>	<u>0</u>	<u>0</u>
	3,232,868	0	0	0
FUND BALANCES				
Restricted	74,020	466,487	87,030	339,015
Assigned	0	0	0	49,116
Unassigned	<u>5,695,517</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>5,769,537</u>	<u>466,487</u>	<u>87,030</u>	<u>388,133</u>
	<u>\$ 9,033,842</u>	<u>\$ 466,487</u>	<u>\$ 88,869</u>	<u>\$ 390,431</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>
\$ 289,677	\$ 17,972	\$ 59,093	\$ 0	\$ 402,319
14,750	9,897	1,575	0	26,223
0	36,668	818,737	0	855,405
<u>304,427</u>	<u>64,537</u>	<u>879,405</u>	<u>0</u>	<u>1,283,947</u>
0	0	0	0	2,498,305
0	0	0	0	734,563
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,232,868</u>
9,489,854	550,722	5,343	0	11,012,471
0	0	0	0	49,116
0	0	0	75,699	5,771,216
<u>9,489,854</u>	<u>550,722</u>	<u>5,343</u>	<u>75,699</u>	<u>16,832,806</u>
<u>\$ 9,794,282</u>	<u>\$ 615,259</u>	<u>\$ 884,749</u>	<u>\$ 75,699</u>	<u>\$ 21,349,617</u>

CITY OF SWEETWATER, TENNESSEE

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

June 30, 2022

Total Fund Balance - Governmental Funds	\$ 16,832,806
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.	24,498,568
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	10,243,481
Deferred outflows of resources	3,385,464
Deferred inflows of resources	(8,377,307)
Net other postemployment benefits assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	(1,330,835)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(6,594,117)
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>447,159</u>
Net Position of Governmental Activities	<u>\$ 39,105,215</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
REVENUE				
Taxes:				
Property taxes	\$ 2,038,982	\$ 0	\$ 0	\$ 0
Interest and penalty	36,901	0	0	0
Local sales tax	3,545,546	0	0	0
Business tax	217,928	0	0	0
Mixed drink tax	63,883	0	0	0
Franchise tax	86,979	0	0	0
Occupancy tax	0	0	0	101,311
Wholesale beer tax	272,821	0	0	0
Intergovernmental	1,165,829	228,443	0	25,408
Licenses and permits	100,262	0	0	0
Receipts for use of facilities	13,800	0	0	0
Fines and forfeitures	22,925	0	19,105	0
Charges for service	575,009	0	0	5,698
Internal school revenue	0	0	0	186,701
Other revenue	<u>228,002</u>	<u>0</u>	<u>0</u>	<u>75,576</u>
TOTAL REVENUE	8,368,865	228,443	19,105	394,694
EXPENDITURES				
Current:				
General government	1,115,010	0	0	86,035
Public safety	2,784,092	0	4,968	0
Public welfare	763,103	0	0	207,357
Highways and streets	1,084,609	28,133	0	0
Waste management	308,952	0	0	0
Education	24,872	0	0	0
Internal school expense	0	0	0	183,571

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>
\$ 1,578,091	\$ 0	\$ 0	\$ 0	\$ 3,617,074
6,129	0	0	0	43,030
1,495,660	0	0	0	5,041,206
70,081	0	0	0	288,009
8,608	0	0	0	72,492
0	0	0	0	86,979
0	0	0	0	101,311
0	0	0	0	272,821
9,348,386	1,255,328	3,324,543	0	15,347,937
0	0	0	0	100,262
345	0	0	0	14,145
0	0	0	0	42,030
0	19,221	0	0	599,928
0	0	0	0	186,701
<u>153,036</u>	<u>9,242</u>	<u>0</u>	<u>1,133</u>	<u>466,989</u>
12,660,337	1,283,791	3,324,543	1,133	26,280,912
0	0	0	0	1,201,045
0	0	0	0	2,789,060
0	0	0	0	970,460
0	0	0	0	1,112,742
0	0	0	0	308,952
11,464,574	956,121	2,395,292	0	14,840,859
0	0	0	0	183,571

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Other Governmental Funds</u>
Capital outlay	746,173	123,532	0	0
Debt service	<u>287,759</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>7,114,569</u>	<u>151,665</u>	<u>4,968</u>	<u>476,963</u>
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	1,254,296	76,778	14,137	(82,269)
OTHER FINANCING SOURCES(USES)				
Note proceeds	191,000	0	0	0
Transfers (to)from other funds	<u>(71,000)</u>	<u>0</u>	<u>0</u>	<u>104,000</u>
NET CHANGES IN FUND BALANCES	1,374,296	76,778	14,137	21,731
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>4,395,241</u>	<u>389,709</u>	<u>72,892</u>	<u>366,402</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 5,769,537</u>	<u>\$ 466,487</u>	<u>\$ 87,030</u>	<u>\$ 388,133</u>

<u>General Purpose School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Federal Project Fund</u>	<u>School Capital Project Fund</u>	<u>Totals</u>
0	0	925,146	0	1,794,851
<u>398,458</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,217</u>
<u>11,863,032</u>	<u>956,121</u>	<u>3,320,439</u>	<u>0</u>	<u>23,887,756</u>
797,305	327,670	4,104	1,133	2,393,156
0	0	0	0	191,000
<u>610,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>643,000</u>
1,407,305	327,670	4,104	1,133	3,227,156
<u>8,082,549</u>	<u>223,051</u>	<u>1,239</u>	<u>74,567</u>	<u>13,605,649</u>
<u>\$ 9,489,854</u>	<u>\$ 550,722</u>	<u>\$ 5,343</u>	<u>\$ 75,699</u>	<u>\$ 16,832,806</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, 2022

Net Change in Fund Balances \$ 3,227,156

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

Acquisition of capital assets	1,794,851
Depreciation expense	(1,283,595)

Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	685,956
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Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds financial statements:	
Deferred tax revenue - June 30, 2021	(543,895)
Deferred tax revenue - June 30, 2022	447,159

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	1,475,446

Other postemployment benefits expense reported in the statement of activities does not require the use of current financial resources and, therefore, it is not reported as an expenditure in the governmental fund financial statements	(107,918)
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Other postemployment benefits revenue reported in the statement of activities does not increase current financial resources and, therefore, it is not reported as a revenue in the governmental fund financial statements	68,309
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See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

Long-term debt provides current financial resources in the governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities.	(191,000)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>577,868</u>
Change in Net Position of Governmental Activities	<u>\$ 6,150,337</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$ 1,975,000	\$ 2,037,000	\$ 2,038,982	\$ 1,982
Interest and penalty	15,000	36,000	36,901	901
Local sales tax	3,075,000	3,275,000	3,545,546	270,546
Business tax	150,000	217,000	217,928	928
Mixed drink tax	60,000	60,000	63,883	3,883
Franchise tax	83,900	83,900	86,979	3,079
Wholesale beer tax	270,000	270,000	272,821	2,821
	<u>5,628,900</u>	<u>5,978,900</u>	<u>6,263,039</u>	<u>284,139</u>
Intergovernmental:				
State income tax	5,000	5,000	1,280	(3,720)
State beer tax	3,000	3,000	2,883	(117)
State mixed drink tax	3,000	13,000	13,398	398
State sales tax	600,000	712,000	717,374	5,374
City streets and transportation	12,000	12,000	11,601	(399)
Sports betting tax	0	0	6,058	6,058
State police supplement	29,600	35,600	35,452	(148)
Corporate excise tax	29,000	29,000	24,087	(4,913)
Bulletproof vest grant	500	500	0	(500)
FEMA grant	500	500	7,784	7,284
American Rescue Plan Act	30,000	904,600	140,000	(764,600)
TML safety grant	3,000	3,000	4,500	1,500
In-lieu of tax payments	100,400	107,400	103,034	(4,366)
COVID relief funds	79,496	149,496	79,496	(70,000)

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, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Tourism enhancement grant	70,000	70,000	3,782	(66,218)
Community development grants	5,000	15,000	15,100	100
	<u>970,496</u>	<u>2,060,096</u>	<u>1,165,829</u>	<u>(894,267)</u>
Licenses and permits:				
Beer licenses	4,000	4,000	3,708	(292)
Liquor licenses	1,000	1,000	500	(500)
Animal registration	750	750	1,310	560
Special assessments	3,000	3,000	0	(3,000)
General and special privilege	100	100	0	(100)
Building permits	<u>30,000</u>	<u>94,000</u>	<u>94,744</u>	<u>744</u>
	<u>38,850</u>	<u>102,850</u>	<u>100,262</u>	<u>(2,588)</u>
Receipts for use of facilities:				
Medical transportation rent	13,800	13,800	13,800	0
Fines and forfeitures	35,520	35,520	22,925	(12,595)
Charges for service:				
Photocopies	2,000	2,000	1,306	(694)
Highway and street charges	25,000	37,000	37,233	233
Clerks' fee-business tax	25,000	31,000	31,782	782
City garage charges	3,000	3,000	2,076	(924)
Board of Education	8,000	13,000	13,217	217
Pool fees and concessions	18,000	47,600	32,917	(14,683)
Recreation program	500	25,500	30,568	5,068
Sale of materials and land	20,000	64,000	65,947	1,947

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Special police service	63,000	63,000	57,587	(5,413)
Solid waste collection fees	<u>299,000</u>	<u>299,000</u>	<u>302,375</u>	<u>3,375</u>
	463,500	585,100	575,009	(10,091)
Other revenue:				
Contributions	40,500	40,500	76,312	35,812
Interest	9,500	20,500	12,723	(7,777)
Insurance recoveries	6,000	20,000	10,694	(9,306)
Premium rebate	0	0	118,885	118,885
Miscellaneous revenue	<u>3,300</u>	<u>6,300</u>	<u>9,388</u>	<u>3,088</u>
	<u>59,300</u>	<u>87,300</u>	<u>228,002</u>	<u>140,702</u>
TOTAL REVENUE	7,210,366	8,863,566	8,368,865	(494,701)
EXPENDITURES				
Judicial:				
Salaries	2,400	3,050	3,050	0
OASDI	200	200	233	33
Retirement	<u>180</u>	<u>180</u>	<u>72</u>	<u>(108)</u>
	2,780	3,430	3,355	(75)
Executive:				
Salaries and wages	30,900	30,900	33,900	3,000
OASDI	2,800	2,800	3,653	853
Retirement	900	900	1,152	252
Insurance	0	0	21	21
Publicity and subscriptions	8,000	8,000	9,487	1,487
Legal services	15,000	15,000	12,940	(2,060)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Travel	1,000	1,000	617	(383)
Telephone	500	500	549	49
Operating supplies	5,300	5,300	4,243	(1,057)
Other services	4,800	4,800	3,850	(950)
Community health	7,000	7,000	5,368	(1,632)
	<u>76,200</u>	<u>76,200</u>	<u>75,779</u>	<u>(421)</u>
Financial administration:				
Salaries	204,630	223,530	223,170	(360)
OASDI	15,264	15,264	16,188	924
Health insurance	39,367	39,367	35,052	(4,315)
Retirement	6,103	6,103	6,515	412
Life insurance	208	208	171	(37)
Unemployment insurance	360	360	119	(241)
Dental insurance	1,200	1,200	1,057	(143)
Disability insurance	545	545	418	(127)
Vision insurance	261	261	211	(50)
Telephone	6,500	6,500	4,502	(1,998)
Accounting	23,000	23,000	23,500	500
Legal	500	500	0	(500)
Consulting services	12,227	12,227	11,832	(395)
Office supplies and postage	9,500	9,500	6,953	(2,547)
Surety bonds	1,000	3,300	3,292	(8)
Travel	5,500	5,500	6,385	885
Machinery and equipment	500	500	0	(500)
Other improvements	6,000	6,000	6,373	373
Data processing	44,000	45,600	45,555	(45)
	<u>376,665</u>	<u>399,465</u>	<u>391,292</u>	<u>(8,173)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
General government buildings:				
Salaries	48,897	48,897	50,759	1,862
OASDI	3,706	3,706	3,859	153
Health insurance	9,842	9,842	9,815	(27)
Retirement	1,302	1,302	1,345	43
Life insurance	51	51	71	20
Unemployment insurance	90	90	32	(58)
Disability insurance	137	137	135	(2)
Dental insurance	320	320	303	(17)
Utilities	28,000	28,000	30,864	2,864
Repairs	110,000	110,000	76,966	(33,034)
Operating supplies	4,350	4,350	5,714	1,364
	<u>206,695</u>	<u>206,695</u>	<u>179,863</u>	<u>(26,832)</u>
Tourism:				
Salaries	19,725	19,725	20,560	835
OASDI	1,492	1,492	1,573	81
Unemployment insurance	210	210	54	(156)
Utilities	16,500	16,500	13,653	(2,847)
Business grants	0	140,000	70,000	(70,000)
Other operating supplies	6,500	6,500	5,788	(712)
	<u>44,427</u>	<u>184,427</u>	<u>111,627</u>	<u>(72,800)</u>
City Court:				
Publicity and subscriptions	0	1,120	1,117	(3)
Legal services	0	15	11	(4)
Travel	0	1,600	1,554	(46)
	<u>0</u>	<u>2,735</u>	<u>2,681</u>	<u>(54)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other general government:				
Salaries	19,100	159,100	1,000	(158,100)
OASDI	15,461	15,461	15,449	(12)
Retirement	0	0	30	30
Health insurance	11,700	11,700	5,739	(5,961)
Dental, vision and life insurance	280	280	6	(274)
Unemployment insurance	45	45	3	(42)
Disability insurance	90	90	2	(88)
Other insurance	234,000	234,000	228,226	(5,774)
Memberships and registration fees	3,000	3,000	3,121	121
Utilities, phone and TV service	7,300	7,300	7,038	(262)
Medical services	1,000	1,000	268	(732)
Travel and training	2,000	2,000	3,534	1,534
Other operating supplies	149,850	149,850	50,642	(99,208)
Charitable donations	81,000	81,000	25,909	(55,091)
Community improvement	0	0	2,338	2,338
Christmas decorations	6,000	6,000	6,788	788
Independence Day	3,000	3,000	3,000	0
	<u>533,826</u>	<u>673,826</u>	<u>353,093</u>	<u>(320,733)</u>
Police department:				
Salaries	1,109,643	1,118,743	1,104,208	(14,535)
OASDI	84,295	84,295	81,890	(2,405)
Retirement	30,807	30,807	27,801	(3,006)
Health insurance	196,833	196,833	189,867	(6,966)
Dental, vision and life insurance	9,410	9,410	8,305	(1,105)
Unemployment insurance	2,100	2,100	568	(1,532)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Disability insurance	2,800	2,800	2,598	(202)
Telephone	17,000	17,000	24,704	7,704
Medical services	2,000	2,000	746	(1,254)
Car maintenance	15,000	30,500	25,004	(5,496)
Publicity/subscriptions	500	500	400	(100)
Travel and training	7,500	7,500	8,242	742
Uniforms	7,000	7,000	20,332	13,332
Firearms and supplies	10,000	10,000	14,390	4,390
Machinery and equipment	35,000	61,000	44,245	(16,755)
Gas, oil and grease	29,000	52,000	51,565	(435)
Office supplies and materials	3,100	3,100	3,920	820
Special investigative	500	500	0	(500)
Data processing services	7,000	7,000	13,763	6,763
Other operating supplies	6,400	6,400	5,844	(556)
	<u>1,575,888</u>	<u>1,649,488</u>	<u>1,628,391</u>	<u>(21,097)</u>
Sanitation department:				
Contractual services	267,000	268,200	268,114	(86)
Landfill services	35,100	40,800	40,838	38
	<u>302,100</u>	<u>309,000</u>	<u>308,952</u>	<u>(48)</u>
Fire department:				
Salaries	675,281	716,481	713,058	(3,423)
OASDI	51,582	51,582	52,891	1,309
Retirement	19,823	19,823	18,255	(1,568)
Health insurance	127,941	127,941	118,683	(9,258)
Dental, vision and life insurance	5,420	5,420	5,306	(114)
Unemployment insurance	1,350	1,350	343	(1,007)
Disability insurance	1,921	1,921	1,624	(297)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Utilities	16,000	16,000	19,910	3,910
Telephone	8,000	13,000	11,685	(1,315)
Fire hydrant rental	30,000	30,000	29,796	(204)
Medical services	10,500	10,500	0	(10,500)
Maintenance	25,000	25,000	25,417	417
Travel and training	13,000	13,000	6,191	(6,809)
Uniforms	6,000	6,000	5,191	(809)
Gas, oil and grease	8,500	8,500	14,852	6,352
Other operating supplies	47,500	47,500	38,320	(9,180)
	<u>1,047,818</u>	<u>1,094,018</u>	<u>1,061,520</u>	<u>(32,498)</u>
Communications services:				
Contract services	82,948	82,948	82,700	(248)
Utilities	1,250	1,250	431	(819)
Other improvements	<u>50,000</u>	<u>50,000</u>	<u>8,369</u>	<u>(41,631)</u>
	134,198	134,198	91,500	(42,698)
Building inspection:				
Salaries	136,721	136,721	133,372	(3,349)
OASDI	10,459	10,459	9,345	(1,114)
Retirement	4,075	4,075	2,809	(1,266)
Health insurance	29,525	29,525	24,953	(4,572)
Dental, vision and life insurance	827	827	935	108
Unemployment insurance	310	310	80	(230)
Disability insurance	295	295	286	(9)
Telephone	2,500	2,500	2,846	346
Travel and training	3,000	3,000	2,613	(387)
Uniforms	750	750	669	(81)
Gas, oil and grease	1,000	1,000	1,457	457
State planning office	15,000	15,000	9,975	(5,025)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Office supplies	3,000	3,000	1,157	(1,843)
Professional services	3,925	3,925	9,602	5,677
Mowing assessments	30,000	30,000	691	(29,309)
Operating supplies	<u>5,250</u>	<u>5,250</u>	<u>2,511</u>	<u>(2,739)</u>
	246,637	246,637	203,302	(43,335)
Street lighting:				
Utilities	206,500	208,600	226,314	17,714
Highways and streets:				
Salaries	544,199	553,699	553,694	(5)
OASDI	41,344	41,344	41,013	(331)
Retirement	16,213	16,213	16,023	(190)
Health insurance	118,100	118,100	117,784	(316)
Dental, vision and life insurance	5,476	5,476	5,031	(445)
Unemployment insurance	1,200	1,200	252	(948)
Disability insurance	1,750	1,750	1,616	(134)
Utilities	9,000	9,000	6,737	(2,263)
Telephone	7,000	7,000	10,430	3,430
Maintenance	55,500	55,500	17,957	(37,543)
Tools	1,000	1,000	491	(509)
Travel and training	500	500	256	(244)
Uniforms	4,000	4,000	4,147	147
Gas, oil and grease	30,000	43,100	43,051	(49)
Other operating supplies	<u>24,500</u>	<u>24,500</u>	<u>39,812</u>	<u>15,312</u>
	859,782	882,382	858,295	(24,087)

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Rabies and animal control:				
Utilities	0	0	101	101
Operating supplies	<u>1,500</u>	<u>1,500</u>	<u>932</u>	<u>(568)</u>
	1,500	1,500	1,033	(467)
Economic development:				
Operating supplies	1,000	1,000	955	(45)
Travel and training	<u>3,000</u>	<u>3,000</u>	<u>3,650</u>	<u>650</u>
	4,000	4,000	4,606	606
Recreation:				
Salaries	297,503	318,103	316,489	(1,614)
OASDI	21,451	23,851	23,807	(44)
Retirement	7,662	7,662	7,388	(274)
Health insurance	59,425	59,425	51,899	(7,526)
Dental, vision and life insurance	2,025	2,025	1,865	(160)
Unemployment insurance	1,000	1,000	136	(864)
Disability insurance	750	750	707	(43)
Utilities	48,000	48,000	56,296	8,296
Telephone	5,000	5,000	6,904	1,904
Medical services	1,500	1,500	509	(991)
Repairs and maintenance	14,500	14,500	17,159	2,659
Travel and training	1,500	1,500	2,287	787
Publicity/subscriptions	500	500	0	(500)
Memberships and registration fees	800	800	890	90
Uniforms	1,500	1,500	2,142	642
Gas, oil and grease	8,000	16,300	16,250	(50)
Operating supplies	<u>13,800</u>	<u>20,700</u>	<u>44,545</u>	<u>23,845</u>
	484,916	523,116	549,272	26,156

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Museum:				
Utilities	1,800	1,800	2,047	247
Repairs and maintenance	250	250	0	(250)
Operating supplies	<u>250</u>	<u>250</u>	<u>13</u>	<u>(237)</u>
	2,300	2,300	2,060	(240)
Tree grant:				
Utilities	3,000	3,000	1,802	(1,198)
Operating supplies	<u>1,000</u>	<u>1,000</u>	<u>1,028</u>	<u>28</u>
	4,000	4,000	2,830	(1,170)
Education:				
Gas, oil and grease	10,000	13,300	13,217	(83)
Operating supplies	<u>8,000</u>	<u>11,700</u>	<u>11,656</u>	<u>(44)</u>
	18,000	25,000	24,872	(128)
Capital outlay:				
Recreation	192,000	215,000	243,996	28,996
General government	100,000	115,000	52,415	(62,585)
Police	90,000	192,000	209,762	17,762
Fire	240,000	240,000	240,000	0
Highways and streets	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>(50,000)</u>
	672,000	812,000	746,173	(65,827)
Debt service:				
Bond principal	170,868	237,868	237,868	0
Interest expense on bonds	<u>49,605</u>	<u>70,105</u>	<u>49,891</u>	<u>(20,214)</u>
	<u>220,473</u>	<u>307,973</u>	<u>287,759</u>	<u>(20,214)</u>
TOTAL EXPENDITURES	<u>7,020,705</u>	<u>7,750,990</u>	<u>7,114,569</u>	<u>(636,421)</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	189,661	1,112,576	1,254,296	141,720
OTHER FINANCING SOURCES(USES)				
Note proceeds	0	191,000	191,000	0
Transfer from proprietary funds	643,000	643,000	643,000	0
Transfer from tourism fund	30,000	30,000	30,000	0
Transfer to library fund	(134,000)	(134,000)	(134,000)	0
Transfer to general purpose school fund	<u>(610,000)</u>	<u>(610,000)</u>	<u>(610,000)</u>	<u>0</u>
	<u>(71,000)</u>	<u>120,000</u>	<u>120,000</u>	<u>0</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
NET CHANGE IN FUND BALANCE	118,661	1,232,576	1,374,296	141,720
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>4,395,241</u>	<u>4,395,241</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 118,661</u>	<u>\$ 1,232,576</u>	<u>\$ 5,769,537</u>	<u>\$ 4,536,961</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, 2022

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUE				
State gasoline tax	\$ 220,000	\$ 220,000	\$ 220,178	\$ 178
Multimodal grant	0	0	4,694	4,694
Safe routes to school grant	342,500	342,500	3,571	(338,929)
TOTAL REVENUE	562,500	562,500	228,443	(334,057)
EXPENDITURES				
Operating supplies	253,500	253,500	9,140	(244,360)
Construction materials and supplies	19,000	19,000	3,702	(15,298)
Sign parts and supplies	3,000	3,000	1,235	(1,765)
Vehicle maintenance and repair	8,000	8,000	1,738	(6,262)
Equipment maintenance and repair	26,000	26,000	11,087	(14,913)
Street maintenance and repairs	90,000	90,000	1,230	(88,770)
Capital outlay	265,000	265,000	123,532	(141,468)
TOTAL EXPENDITURES	664,500	664,500	151,665	(512,835)
NET CHANGE IN FUND BALANCE	(102,000)	(102,000)	76,778	178,778
FUND BALANCE AT THE BEGINNING OF THE YEAR	102,000	102,000	389,709	287,709
FUND BALANCE AT THE END OF THE YEAR	\$ 0	\$ 0	\$ 466,487	466,487

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, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 15,000	\$ 15,000	\$ 7,561	\$ (7,439)
Forfeitures	<u>15,000</u>	<u>15,000</u>	<u>11,544</u>	<u>(3,456)</u>
TOTAL REVENUE	30,000	30,000	19,105	(10,895)
EXPENDITURES				
Salaries	2,000	2,000	303	(1,697)
OASDI	0	0	23	23
Health insurance	0	0	47	47
Retirement	0	0	9	9
Disability insurance	0	0	1	1
Dental insurance	0	0	1	1
Telephone	2,000	2,000	1,500	(500)
Operating supplies	2,100	2,100	1,260	(840)
Special investigation	7,500	7,500	1,500	(6,000)
Vehicle maintenance	1,500	1,500	0	(1,500)
Uniforms	500	500	0	(500)
Sundry	<u>2,500</u>	<u>2,500</u>	<u>324</u>	<u>(2,176)</u>
TOTAL EXPENDITURES	<u>18,100</u>	<u>18,100</u>	<u>4,968</u>	<u>(13,132)</u>
NET CHANGE IN FUND BALANCE	11,900	11,900	14,137	2,237
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>72,892</u>	<u>72,892</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 11,900</u>	<u>\$ 11,900</u>	<u>\$ 87,030</u>	<u>\$ 75,130</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Intergovernmental revenue:				
Monroe County:				
Property tax	\$ 1,185,000	\$ 1,239,000	\$ 1,578,091	\$ 339,091
Interest and penalty	10,000	10,000	6,129	(3,871)
Pick-up taxes	3,000	3,000	0	(3,000)
Business taxes, licenses, fines and fees	30,200	30,200	70,081	39,881
Local sales tax	861,000	861,000	1,495,660	634,660
State income tax	8,000	8,000	2,987	(5,013)
Mixed drink tax	1,100	1,100	8,608	7,508
State revenue sharing	100,000	100,000	100,000	0
TDOT enhancement grant	16,210	31,630	31,530	(100)
In-lieu of tax payments-TVA	12,000	12,000	1,718	(10,282)
In-lieu of tax payments-other	<u>53,700</u>	<u>53,700</u>	<u>140,375</u>	<u>86,675</u>
	2,280,210	2,349,630	3,435,180	1,085,550
State of Tennessee:				
Basic Education Program	8,373,000	8,870,000	8,382,000	(488,000)
Coordinated school health	87,000	87,000	87,000	0
Early childhood education	288,441	288,441	288,441	0
School food services	800	850	984	134
Career ladder program	30,195	27,456	31,643	4,187
Other state education	<u>2,141</u>	<u>0</u>	<u>281,708</u>	<u>281,708</u>
	8,781,577	9,273,747	9,071,776	(201,971)

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, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other revenue:				
Tuition	9,000	10,600	11,440	840
Interest on investments	2,000	2,000	11,477	9,477
Contributions	0	0	1,100	1,100
Rental income	4,500	4,500	345	(4,155)
OPEB on-behalf payments	0	0	69,843	69,843
Insurance recovery	0	0	3,877	3,877
Other	48,030	29,030	55,300	26,270
	<u>63,530</u>	<u>46,130</u>	<u>153,381</u>	<u>107,251</u>
TOTAL REVENUE	11,125,317	11,669,507	12,660,337	990,830
EXPENDITURES				
General purpose:				
Salaries	7,395,259	7,613,151	7,487,848	(125,303)
OASDI	564,319	584,609	539,430	(45,179)
Retirement	658,730	675,304	619,902	(55,402)
Employee insurance	1,109,073	1,112,314	1,159,833	47,519
Instructional supplies/materials	257,576	287,558	274,160	(13,398)
Other supplies and materials	16,130	16,130	17,427	1,297
Other contracted services	431,879	527,721	511,553	(16,168)
Communication	24,360	24,360	20,740	(3,620)
Travel	15,625	15,625	8,076	(7,549)
Maintenance and repair	105,200	105,392	62,424	(42,968)
Equipment	48,299	48,299	55,559	7,260
In-service/staff development	16,130	16,130	6,479	(9,651)
Dues and memberships	8,463	9,756	9,703	(53)
Insurance	127,159	129,919	127,305	(2,614)
Trustee's commission	42,000	45,345	53,464	8,119
Utilities	387,350	387,350	387,026	(324)
Disposal fees	15,500	15,500	17,077	1,577

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, 2022

	<u>Budget</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		
Custodial supplies	30,000	30,000	27,827	(2,173)
Administrative equipment	3,500	3,500	1,136	(2,364)
Gas and fuel	11,000	11,300	11,991	691
Internet connectivity	21,302	21,302	21,302	0
Other charges	44,900	45,900	44,311	(1,589)
	<u>11,333,754</u>	<u>11,726,466</u>	<u>11,464,574</u>	<u>(261,892)</u>
Debt service:				
Bond principal	340,100	340,100	340,000	(100)
Interest expense on bonds	145,654	145,654	58,458	(87,196)
	<u>485,754</u>	<u>485,754</u>	<u>398,458</u>	<u>(87,296)</u>
TOTAL EXPENDITURES	<u>11,819,508</u>	<u>12,212,220</u>	<u>11,863,032</u>	<u>(349,188)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(694,191)	(542,713)	797,305	1,340,018
OTHER FINANCING SOURCES				
Transfer from general fund	<u>573,500</u>	<u>623,500</u>	<u>610,000</u>	<u>(13,500)</u>
NET CHANGE IN FUND BALANCE	(120,691)	80,787	1,407,305	1,326,518
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>120,691</u>	<u>0</u>	<u>8,082,549</u>	<u>8,082,549</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 80,787</u>	<u>\$ 9,489,854</u>	<u>\$ 9,409,067</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Adult lunches	\$ 14,100	\$ 14,100	\$ 16,411	\$ 2,311
Breakfast	915	915	1,630	715
U.S.D.A. reimbursement	779,200	779,200	1,246,471	467,271
State matching funds	7,200	7,200	8,857	1,657
Student a-la-carte	32,500	32,500	1,180	(31,320)
Other income	<u>3,900</u>	<u>3,900</u>	<u>9,242</u>	<u>5,342</u>
TOTAL REVENUE	837,815	837,815	1,283,791	445,976
EXPENDITURES				
Labor	432,643	432,643	481,923	49,280
Food	303,000	303,000	360,711	57,711
Nonfood supplies and expenditures	<u>90,609</u>	<u>90,609</u>	<u>113,486</u>	<u>22,877</u>
TOTAL EXPENDITURES	<u>826,252</u>	<u>826,252</u>	<u>956,121</u>	<u>129,869</u>
NET CHANGE IN FUND BALANCE	11,563	11,563	327,670	316,107
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>223,051</u>	<u>223,051</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 11,563</u>	<u>\$ 11,563</u>	<u>\$ 550,722</u>	<u>\$ 539,159</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, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Grants	\$ 1,031,698	\$ 6,302,610	\$ 3,324,543	\$ (2,978,067)
EXPENDITURES				
Salaries	641,877	1,895,890	1,084,346	(811,544)
OASDI	46,848	107,733	74,744	(32,989)
Insurance	50,004	217,382	76,318	(141,064)
Retirement	35,554	90,156	55,533	(34,623)
Instructional supplies and materials	70,265	1,392,622	802,916	(589,706)
In-service/staff development	55,500	138,800	102,785	(36,015)
Contracts with other agencies	130,350	260,049	195,908	(64,141)
Other charges	1,300	4,150	2,742	(1,408)
Capital outlay	0	2,195,829	925,146	(1,270,683)
TOTAL EXPENDITURES	<u>1,031,698</u>	<u>6,302,610</u>	<u>3,320,439</u>	<u>(2,982,171)</u>
NET CHANGE IN FUND BALANCE	0	0	4,104	4,104
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>1,239</u>	<u>1,239</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,343</u>	<u>\$ 5,343</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, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Other revenue:				
Interest on investments	\$ 5,000	\$ 5,000	\$ 1,133	\$ (3,867)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>74,567</u>	<u>74,567</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 75,699</u>	<u>\$ 70,699</u>

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CURRENT ASSETS				
Cash	\$ 7,260,859	\$ 5,928,484	\$ 4,982,779	\$ 18,172,122
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	2,468,097	0	0	2,468,097
Customer loan program	119,704	23,438	0	143,142
Interest	0	193	60	253
Other	148,887	317	15,359	164,563
Sweetwater Utilities Board				
Electric Department	0	47,350	0	47,350
Inventories:				
Stored gas	0	482,958	0	482,958
Materials and supplies	398,815	62,081	126,213	587,109
Prepaid expenses	84,383	0	5,272	89,655
	<u>10,615,745</u>	<u>7,999,821</u>	<u>5,437,683</u>	<u>24,053,249</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>
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 463,000	\$ 0	\$ 565,322	\$ 1,028,322
Current maturities of long-term debt due to gas department	47,350	0	0	47,350
Accounts payable	2,436,011	336,833	35,114	2,807,958
Customers' deposits	1,153,665	0	0	1,153,665
Accrued expenses	<u>705,758</u>	<u>174,559</u>	<u>551,032</u>	<u>1,431,349</u>
	4,805,784	511,392	1,151,468	6,468,644
NONCURRENT LIABILITIES				
Long-term debt, less current maturities	578,000	0	5,339,070	5,917,070
Long-term debt, less current maturities due to gas department	837,373	0	0	837,373
Net pension liability	<u>262,400</u>	<u>43,724</u>	<u>79,078</u>	<u>385,202</u>
	1,677,773	43,724	5,418,148	7,139,645
DEFERRED INFLOWS OF RESOURCES				
Deferred outflows related to pensions	893,328	148,857	269,218	1,311,403
Deferred outflows related to other postemployment benefits	<u>158,549</u>	<u>21,358</u>	<u>58,728</u>	<u>238,635</u>
	1,051,877	170,215	327,946	1,550,038

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
NONCURRENT ASSETS				
Accounts receivable:				
Customer loan program				
less allowance for				
doubtful accounts	688,187	0	0	688,187
Note receivable-customer loan				
program, less current				
maturities	0	132,017	0	132,017
Note receivable-Sweetwater				
Utilities Board-				
Electric Department	0	837,373	0	837,373
Other postemployment				
benefit asset	171,091	23,047	63,374	257,512
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>1,269,278</u>	<u>1,337,437</u>	<u>360,374</u>	<u>2,967,089</u>
CAPITAL ASSETS				
Utility Plant	44,775,182	5,803,610	28,045,997	78,624,789
Accumulated depreciation	<u>(22,517,622)</u>	<u>(2,654,674)</u>	<u>(10,100,763)</u>	<u>(35,273,059)</u>
	22,257,560	3,148,936	17,945,234	43,351,730
DEFERRED OUTFLOWS OF RESOURCES				
Deferred cost of other				
postemployment benefits	38,473	5,183	14,251	57,909
Deferred cost of pension	<u>1,485,371</u>	<u>247,511</u>	<u>447,639</u>	<u>2,180,521</u>
	<u>1,523,844</u>	<u>252,694</u>	<u>461,890</u>	<u>2,238,428</u>
	<u>\$ 35,666,427</u>	<u>\$ 12,738,888</u>	<u>\$ 24,205,181</u>	<u>\$ 72,610,496</u>

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
NET POSITION				
Net investment in capital assets	21,216,560	3,148,936	12,040,842	36,406,338
Restricted for other postemployment benefits	171,091	23,047	63,374	257,512
Unrestricted	<u>6,743,342</u>	<u>8,841,574</u>	<u>5,203,403</u>	<u>20,788,319</u>
	<u>28,130,993</u>	<u>12,013,557</u>	<u>17,307,619</u>	<u>57,452,169</u>
	<u>\$ 35,666,427</u>	<u>\$ 12,738,888</u>	<u>\$ 24,205,181</u>	<u>\$ 72,610,496</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
OPERATING REVENUE				
Residential	\$ 12,496,593	\$ 662,567	\$ 2,155,853	\$ 15,315,013
Commercial and industrial	0	2,166,449	1,626,174	3,792,623
Schools	0	66,193	0	66,193
Fire protection	0	0	27,504	27,504
Miscellaneous	70,068	7,123	83,444	160,635
General power under 50KW	2,854,143	0	0	2,854,143
General power 50KW and over	9,932,801	0	0	9,932,801
Street and outdoor lighting	745,349	0	0	745,349
Customers' forfeited discounts	186,355	0	0	186,355
Electric property	577,449	0	0	577,449
Less provision for uncollectible accounts	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>(50,000)</u>
	26,812,758	2,902,332	3,892,975	33,608,065
OPERATING EXPENSES				
Purchased power-TVA	19,746,005	0	0	19,746,005
Purchased gas	0	1,845,396	0	1,845,396
Purchased water	0	0	203,143	203,143
Operations	2,087,402	589,267	1,811,859	4,488,528
Maintenance	1,424,580	47,493	339,834	1,811,907
Depreciation	<u>1,450,820</u>	<u>128,955</u>	<u>708,903</u>	<u>2,288,678</u>
	<u>24,708,807</u>	<u>2,611,111</u>	<u>3,063,739</u>	<u>30,383,657</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, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
INCOME FROM OPERATIONS	2,103,951	291,221	829,236	3,224,408
OTHER INCOME (EXPENSE)				
Interest income	61,561	33,923	10,583	106,067
Purchase gas refunds	0	70,214	0	70,214
Interest expense	<u>(23,341)</u>	<u>0</u>	<u>(138,301)</u>	<u>(161,642)</u>
	38,220	<u>104,137</u>	<u>(127,718)</u>	<u>14,639</u>
INCOME BEFORE OTHER FINANCING (USES)	2,142,171	395,358	701,518	3,239,047
OTHER FINANCING (USES)				
Transfers to general fund	<u>(555,000)</u>	<u>(88,000)</u>	<u>0</u>	<u>(643,000)</u>
CHANGES IN NET POSITION	1,587,171	307,358	701,518	2,596,047
NET POSITION AT THE BEGINNING OF THE YEAR, as restated	<u>26,543,822</u>	<u>11,706,199</u>	<u>16,606,101</u>	<u>54,856,122</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 28,130,993</u>	<u>\$ 12,013,557</u>	<u>\$ 17,307,619</u>	<u>\$ 57,452,169</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Cash received				
from customers	\$ 26,329,094	\$ 2,902,015	\$ 3,907,322	\$ 33,138,431
Cash paid to suppliers	(21,167,996)	(2,147,913)	(1,370,363)	(24,686,272)
Cash paid to employees	<u>(1,265,614)</u>	<u>(307,121)</u>	<u>(946,515)</u>	<u>(2,519,250)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 3,895,484	 446,981	 1,590,444	 5,932,909
 CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on				
customer deposits	(9,020)	0	0	(9,020)
Transfers-in-lieu of				
tax payments	<u>(555,000)</u>	<u>(88,000)</u>	<u>0</u>	<u>(643,000)</u>
 NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	 (564,020)	 (88,000)	 0	 (652,020)

See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital related debt	(445,000)	0	0	(445,000)
Interest paid on capital related debt	(14,320)	0	0	(14,320)
Repayment of interdepartment loan	(46,420)	46,420	0	0
Interest paid on long-term debt	0	0	(138,301)	(138,301)
Principal payments on long-term debt	0	0	(548,441)	(548,441)
Acquisition and construction of capital assets	(1,962,379)	(672,104)	(196,466)	(2,830,949)
Gas equipment loans to customers	0	(11,310)	0	(11,310)
Repayment of gas equipment loans by customers	0	48,597	0	48,597
Cost of removing capital assets	(238,741)	(7,660)	(32,314)	(278,715)
Proceeds from disposal of capital assets	<u>122,636</u>	<u>0</u>	<u>21,000</u>	<u>143,636</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,584,224)	(596,056)	(894,522)	(4,074,803)

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH PROVIDED(USED) BY INVESTING ACTIVITIES				
Interest on deposits in financial institutions	61,538	34,085	10,562	106,185
Energy loans made to customers	(212,975)	0	0	(212,975)
Repayments of energy loans by customers	232,003	0	0	232,003
Purchases of certificates of deposit in financial institutions	(1,500,000)	(3,600,000)	(1,500,000)	(6,600,000)
Maturities of certificates of deposit in financial institutions	<u>1,500,000</u>	<u>3,600,000</u>	<u>1,500,000</u>	<u>6,600,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>80,566</u>	<u>34,085</u>	<u>10,562</u>	<u>125,213</u>
NET INCREASE(DECREASE) IN CASH	827,806	(202,990)	706,484	1,331,300
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR, as restated	<u>6,433,053</u>	<u>6,681,474</u>	<u>4,692,295</u>	<u>17,806,822</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,260,859</u>	<u>\$ 6,478,484</u>	<u>\$ 5,398,779</u>	<u>\$ 19,138,122</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Cash and temporary investments	\$ 7,260,859	\$ 5,928,484	\$ 4,982,779	\$ 18,172,122
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>
	7,805,859	7,728,484	5,587,779	21,122,122
Less: long-term certificates of deposit	<u>(545,000)</u>	<u>(1,250,000)</u>	<u>(189,000)</u>	<u>(1,984,000)</u>
	<u>\$ 7,260,859</u>	<u>\$ 6,478,484</u>	<u>\$ 5,398,779</u>	<u>\$ 19,138,122</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Income from operations	\$ 2,103,951	\$ 291,221	\$ 829,236	\$ 3,224,408
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation, including amounts included in operating and maintenance expense accounts of \$63,683	1,477,738	158,961	715,663	2,352,362
Change in net pension liability	(795,029)	(131,483)	(228,193)	(1,154,705)
Change in net OPEB liability(asset)	13,938	837	3,834	18,609
Change in deferred outflows:				
Deferred cost of pension	418,089	74,118	116,555	608,762
Deferred cost of OPEB	4,005	(5,183)	(14,251)	(15,429)
Pension other deferrals	414,965	69,629	130,238	614,832
Other post- employment benefits	0	1,409	2,593	4,002
Purchase gas refund	0	70,214	0	70,214

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
(Increase)decrease in:				
Accounts receivable	(508,344)	(317)	14,347	(494,314)
Inventories	(8,386)	(275,787)	(19,702)	(303,875)
Prepaid expenses	(973)	0	(5,272)	(6,245)
Increase(decrease) in:				
Accounts payable	718,236	185,013	2,819	906,068
Customer deposits	24,680	0	0	24,680
Accrued expenses	32,614	8,349	42,577	83,540
	<u>1,791,533</u>	<u>155,760</u>	<u>761,208</u>	<u>2,708,501</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,895,484</u></u>	<u><u>\$ 446,981</u></u>	<u><u>\$ 1,590,444</u></u>	<u><u>\$ 5,932,909</u></u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Depreciation included in construction costs	<u>\$ 51,333</u>	<u>\$ 12,495</u>	<u>\$ 6,086</u>	<u>\$ 69,914</u>

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

June 30, 2022

ASSETS

Cash and cash equivalents	\$	92,306
Investments, at fair value		8,615,980
Accrued income		<u>7,195</u>
	TOTAL ASSETS	<u>\$ 8,715,481</u>

LIABILITY AND NET POSITION

LIABILITY

Employer voluntary contributions	\$	34,156
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NET POSITION

Restricted for pensions		<u>8,681,325</u>
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TOTAL LIABILITY AND NET POSITION	\$	<u>8,715,481</u>
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See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

STATEMENT OF FIDUCIARY CHANGES IN NET POSITION
FIDUCIARY FUND

Year Ended June 30, 2022

ADDITIONS

Employer contributions		\$ 354,546
Employee contributions		86,115

Investment income:

Net appreciation in fair value of investments	\$ 513,869	
Interest	199,346	
Change in accrued income	<u>(4,990)</u>	<u>708,225</u>

TOTAL ADDITIONS		1,148,886
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DEDUCTIONS

Benefits paid to participants	251,553	
Administrative expenses	<u>45,053</u>	<u>296,606</u>

CHANGE IN NET POSITION		852,280
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Adjustment for change in employee voluntary contributions		<u>(5,586)</u>
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NET INCREASE IN PLAN FIDUCIARY NET POSITION		846,694
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PLAN FIDUCIARY NET POSITION AT THE BEGINNING OF THE YEAR		<u>7,834,631</u>
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PLAN FIDUCIARY NET POSITION AT THE END OF THE YEAR		<u><u>\$ 8,681,325</u></u>
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See the accompanying notes to the financial statements.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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, 2022 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, 2022

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, 2022

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

Additionally, the City reports the following nonmajor governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

The City reports the following fiduciary fund:

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

The City had no internal service funds as of or for the year ended June 30, 2022.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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

The electric fund follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission where applicable. The electric fund, natural gas fund and water and sewer fund use accounting principles applicable to a similar private business enterprise, where the cost of providing services to the public on a continuing basis is recovered through user rates. These funds use the flow of economic resources measurement focus applied on the accrual basis of accounting. Except for customer billings, revenue is recorded when earned. Billings to customers are based on a monthly meter reading cycle. Any electric, gas, or water and sewer services rendered from the latest billing cycle date to the month end are unbilled and are not reflected in the financial statements. Unbilled revenue at June 30, 2022 for the electric fund, natural gas fund, and water and sewer fund was approximately \$848,296, \$33,100, and \$208,600, respectively.

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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, 2022 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 47,400,060
Accumulated depreciation	(22,901,492)
Principal balance on long-term debt	<u>(6,594,117)</u>
	<u>\$ 17,904,450</u>

Business-Type Activities:

Electric Fund:

Capital assets	\$ 44,775,182
Accumulated depreciation	(22,517,622)
Principal balance on long-term debt	<u>(1,041,000)</u>
	<u>\$ 21,216,560</u>

Natural Gas Fund:

Capital assets	\$ 5,803,610
Accumulated depreciation	<u>(2,654,674)</u>
	<u>\$ 3,148,936</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Water and Sewer Fund:

Capital assets	\$ 28,045,997
Accumulated depreciation	(10,100,763)
Principal balance on long-term debt	<u>(5,904,392)</u>
	<u>\$ 12,040,842</u>

Restricted

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

Unrestricted

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Fund Balances

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

Nonspendable Fund Balances

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

Restricted Fund Balances

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

Committed Fund Balances

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

Assigned Fund Balances

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Unassigned Fund Balance

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

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

Inventories and Prepaid Items

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

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

Taxes

Municipal utilities are exempt from federal and state income taxes.

Capital Assets

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

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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

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

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

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

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

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Compensated Absences

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

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

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

Allowances for Uncollectible Accounts

Allowances for uncollectible accounts and taxes receivable are provided based upon historical trends. Allowances for uncollectible accounts at June 30, 2022 were as follows:

Business-Type Activities	
Accounts receivable, customers	\$ 50,030
Accounts receivable, customer loan program	<u>25,303</u>
	<u>\$ 75,333</u>

Use of Estimates

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Postemployment Benefits Other Than Pension (OPEB)

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

Pensions

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

Customer Loan Program

The Utility operates a program that provides interest-bearing loans (currently 6%) for energy efficient equipment and improvements not exceeding \$15,000 for periods not to exceed 120 months. The Utility also operates a program that provides interest-bearing loans (currently 6%) for energy conservation expenditures not exceeding \$15,000 for periods not to exceed 60 months. The balance of these loans made under the electric fund's programs at June 30, 2022, net of an allowance for uncollectible accounts of \$25,303, was \$807,891. The balance of the loans made under the natural gas fund's program at June 30, 2022 was \$155,455 with no allowance for uncollectible accounts reported.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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, 2022 were as follows:

Governmental Activities:

Cash on hand and in checking accounts	\$ 14,846,769
Certificates of deposit	<u>836,474</u>
	<u>\$ 15,683,243</u>

Business-Type Activities:

	<u>Unrestricted</u>	<u>Designated</u>	<u>Totals</u>
Cash on hand and in checking accounts	\$ 18,172,122	\$ 0	\$ 18,172,122
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>\$ 20,070,122</u>	<u>\$ 1,052,000</u>	<u>\$ 21,122,122</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, 2022 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, 2022

Deposits in financial institutions for the electric fund, natural gas fund and water and sewer fund consisted of the following at June 30, 2022:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Electric fund:			
Cash on hand and checking accounts	\$ 6,100		
Money market accounts	7,254,759	0.54%	
Certificate of deposit	100,000	0.35	October 20, 2022
Certificate of deposit	<u>445,000</u>	0.40	November 11, 2022
	<u>\$ 7,805,859</u>		

Natural gas fund:

Cash on hand and checking accounts	\$ 1,300		
Money market accounts	5,927,184	0.13%	
Certificate of deposit	300,000	0.30	July 23, 2022
Certificate of deposit	300,000	0.35	July 25, 2022
Certificate of deposit	300,000	0.35	August 13, 2022
Certificate of deposit	550,000	0.35	August 20, 2022
Certificate of deposit	250,000	0.35	September 23, 2022
Certificate of deposit	<u>100,000</u>	0.32	December 10, 2022
	<u>\$ 7,728,484</u>		

Water and sewer fund:

Cash on hand and checking accounts	\$ 1,800		
Money market accounts	4,980,979	0.13%	
Certificate of deposit	400,000	0.35	August 20, 2022
Certificate of deposit	150,000	0.35	October 20, 2022
Certificate of deposit	<u>55,000</u>	0.40	November 11, 2022
	<u>\$ 5,587,779</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, 2022

TCRS Stabilization Trust

Legal Provisions

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

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The City may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances

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

Investments are reported at fair. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2022, 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, 2022

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

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

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

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

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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

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

At June 30, 2022, the City had the following investments held by the TRGT on its behalf:

Asset Class	Percentage Target Allocations	Stabilization Trust Allocation
U.S. Equity	31%	\$ 29,628
Developed market international equity	12	13,380
Emerging market international equity	6	3,823
Private equity and strategic lending	20	19,115
U.S. fixed income	20	19,115
Real estate	10	9,557
Short-term securities	<u>1</u>	<u>956</u>
	<u>100%</u>	<u>\$ 95,575</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Investment by Fair Value Level	Fair Value 6/30/22	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. equity	\$ 29,628	\$ 29,628	\$ 0	\$ 0	\$ 0
Developed market international equity	13,380	13,380	0	0	0
Emerging market international equity	3,823	3,823	0	0	0
U.S fixed income	19,115	0	19,115	0	0
Real estate	9,557	0	0	9,557	0
Short-term securities	956	0	956	0	0
Private equity and strategic lending	<u>19,115</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,115</u>
Total	<u>\$ 95,575</u>	<u>\$ 46,831</u>	<u>\$ 20,071</u>	<u>\$ 9,557</u>	<u>\$ 19,115</u>

The TRGT's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for TRGT investments.

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

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the TRGT agreement, investments are held in the name of the TRGT for the benefit of the City to pay retirement benefits of the City employees.

For further information concerning the City's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>

NOTE D - RISK MANAGEMENT

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

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The electric fund, natural gas fund and water and sewer fund insure themselves against potential losses associated with these risks through jointly purchased commercial insurance policies. There were no reductions in limits of liability or coverage of insurance policies in effect during the year ended June 30, 2022 from those in effect during the years ended June 30, 2021 and June 30, 2020. 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, 2022

NOTE E - CAPITAL ASSETS

Governmental Activities:

Capital assets activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 865,274	\$ 0	\$ 0	\$ 865,274
Construction in process	<u>27,909</u>	<u>9,375</u>	<u>0</u>	<u>37,284</u>
	893,183	9,375	0	902,558
<u>Capital assets being depreciated</u>				
Land and building improvements	30,737,555	1,022,365	0	31,759,920
Vehicles and equipment	7,854,315	763,112	(238,792)	8,378,635
Infrastructure	<u>6,358,947</u>	<u>0</u>	<u>0</u>	<u>6,358,947</u>
	44,950,817	1,785,477	(238,792)	46,497,502
<u>Accumulated depreciation</u>				
Land and building improvements	(13,393,106)	(744,241)	0	(14,137,347)
Vehicles and equipment	(6,225,324)	(328,378)	238,792	(6,314,910)
Infrastructure	<u>(2,238,259)</u>	<u>(210,976)</u>	<u>0</u>	<u>(2,449,235)</u>
	<u>(21,856,689)</u>	<u>(1,283,595)</u>	<u>238,792</u>	<u>(22,901,492)</u>
	<u>\$ 23,987,311</u>	<u>\$ 511,257</u>	<u>\$ 0</u>	<u>\$ 24,498,567</u>

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

General government	\$ 240,519
Education	651,545
Public safety	185,654
Public welfare	88,017
Streets and highways	<u>117,861</u>
	<u>\$ 1,283,595</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

	<u>Balance</u> 7/1/21	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> 6/30/22
Business-Type Activities:				
Electric Fund				
Distribution plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 286,411	\$ 0	\$ 0	\$ 286,411
<u>Capital assets being depreciated</u>				
Electrical distribution system	36,711,009	1,519,294	(262,505)	37,967,798
Facilities installation	<u>899,464</u>	<u>13,603</u>	<u>(5,266)</u>	<u>907,801</u>
	37,610,473	1,532,897	(267,771)	38,875,599
General plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	41,019	0	0	41,019
<u>Capital assets being depreciated</u>				
Structures and improvements	2,036,304	0	0	2,036,304
Equipment	2,543,304	260,576	(233,526)	2,570,354
Office furniture and fixtures	<u>447,517</u>	<u>19,163</u>	<u>(199)</u>	<u>466,481</u>
	5,027,125	279,739	(233,725)	5,073,139
Construction work in progress	<u>297,940</u>	<u>1,140,933</u>	<u>(939,859)</u>	<u>499,014</u>
	<u>\$ 43,262,968</u>	<u>\$ 2,953,569</u>	<u>\$(1,441,355)</u>	<u>\$ 44,775,182</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Electrical distribution system	\$ (17,816,904)	\$(1,351,077)	\$ 465,699	\$ (18,702,282)
Facilities installation	<u>(859,712)</u>	<u>0</u>	<u>8,178</u>	<u>(851,534)</u>
	(18,676,616)	(1,351,077)	473,877	(19,553,816)
General plant:				
Structures and improvements	(788,355)	(40,726)	0	(829,081)
Equipment	(2,107,580)	(92,166)	143,526	(2,056,220)
Office furniture and fixtures	<u>(33,602)</u>	<u>(45,102)</u>	<u>199</u>	<u>(78,505)</u>
	<u>(2,929,537)</u>	<u>(177,994)</u>	<u>143,725</u>	<u>(2,963,806)</u>
	<u>\$ (21,606,153)</u>	<u>\$(1,529,071)</u>	<u>\$ 617,602</u>	<u>\$ (22,517,622)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>6/30/22</u>
Natural Gas Fund				
Distribution plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 5,059	\$ 0	\$ 0	\$ 5,059
<u>Capital assets being depreciated</u>				
Structures and improvements	32,998	0	0	32,998
Gas distribution system	<u>3,532,453</u>	<u>55,800</u>	<u>(6,716)</u>	<u>3,581,537</u>
	3,565,451	55,800	(6,716)	3,614,535
General plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	8,600	0	0	8,600
<u>Capital assets being depreciated</u>				
Equipment	1,387,187	0	0	1,387,187
Office furniture and fixtures	<u>25,350</u>	<u>0</u>	<u>0</u>	<u>25,350</u>
	1,412,537	0	0	1,412,537
Construction work in progress	<u>134,080</u>	<u>692,831</u>	<u>(64,032)</u>	<u>762,879</u>
	<u>\$ 5,125,727</u>	<u>\$ 748,631</u>	<u>\$ (70,748)</u>	<u>\$ 5,803,610</u>
<u>Accumulated depreciation</u>				
Distribution plant:				
Structures and improvements	\$ (20,257)	\$ 0	\$ 0	\$ (20,257)
Gas distribution system	<u>(2,193,721)</u>	<u>(106,650)</u>	<u>14,378</u>	<u>(2,285,993)</u>
	(2,213,978)	(106,650)	14,378	(2,306,250)
General plant:				
Equipment	(279,158)	(63,284)	0	(342,442)
Office furniture and fixtures	<u>(4,461)</u>	<u>(1,521)</u>	<u>0</u>	<u>(5,982)</u>
	<u>(283,619)</u>	<u>(64,805)</u>	<u>0</u>	<u>(348,424)</u>
	<u>\$ (2,497,597)</u>	<u>\$ (171,455)</u>	<u>\$ 14,378</u>	<u>\$ (2,654,674)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

	<u>Balance 7/1/21</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 6/30/22</u>
Water and Sewer Fund				
Water plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	\$ 38,188	\$ 0	\$ 0	\$ 38,188
<u>Capital assets being depreciated</u>				
Structures and improvements	11,487,079	100,523	(35,481)	11,552,121
Furniture and fixtures	60,610	0	0	60,610
Equipment	<u>2,233,849</u>	<u>62,399</u>	<u>(10,020)</u>	<u>2,286,228</u>
	13,781,538	162,922	(45,501)	13,898,959
Sewer plant:				
<u>Capital assets not being depreciated</u>				
Land and land rights	69,013	0	0	69,013
<u>Capital assets being depreciated</u>				
Structures and improvements	13,480,217	17,430	(520)	13,497,127
Equipment	<u>520,510</u>	<u>691</u>	<u>0</u>	<u>521,201</u>
	14,000,727	18,121	(520)	14,018,328
Construction work in progress	<u>0</u>	<u>114,729</u>	<u>(93,220)</u>	<u>21,509</u>
	<u>\$ 27,889,466</u>	<u>\$ 295,772</u>	<u>\$ (139,241)</u>	<u>\$ 28,045,997</u>
<u>Accumulated depreciation</u>				
Water plant:				
Structures and improvements	\$ (5,172,669)	\$ (280,506)	\$ 67,794	\$ (5,385,381)
Furniture and fixtures	(15,794)	(6,061)	0	(21,855)
Equipment	<u>(784,839)</u>	<u>(98,457)</u>	<u>5,020</u>	<u>(878,276)</u>
	(5,973,302)	(385,024)	72,814	(6,285,512)
Sewer plant:				
Structures and improvements	(3,126,007)	(311,806)	520	(3,437,293)
Equipment	<u>(353,039)</u>	<u>(24,919)</u>	<u>0</u>	<u>(377,958)</u>
	<u>(3,479,046)</u>	<u>(336,725)</u>	<u>520</u>	<u>(3,815,251)</u>
	<u>\$ (9,452,348)</u>	<u>\$ (721,749)</u>	<u>\$ 73,334</u>	<u>\$ (10,100,763)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Depreciation expense	\$ 1,450,820	\$ 128,955	\$ 708,903	\$ 2,288,678
Charged to clearing accounts and allocated to:				
Construction	51,333	12,495	6,086	69,914
Operating expense accounts	10,016	27,158	5,400	42,574
Maintenance expense accounts	<u>16,902</u>	<u>2,849</u>	<u>1,360</u>	<u>21,111</u>
	<u>\$ 1,529,071</u>	<u>\$ 171,455</u>	<u>\$ 721,749</u>	<u>\$ 2,422,277</u>

NOTE F - PENSION PLANS

Public Employee Retirement Plan

Plan Description

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

Inactive employees or beneficiaries currently receiving benefits	94
Inactive employees entitled to but not yet receiving benefits	110
Active employees	<u>109</u>
	<u>313</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, employer contributions were \$21,244, based on an actuarial determined rate of 0.51%. The City elected to make additional contributions of \$101,234 for total pension contributions of \$122,478 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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension investment expenses, including inflation
Cost-of-Living adjustment	2.125%

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	1.00
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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.

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, 2021:			
Increase(decrease):			
Service cost	\$ 344,436	\$ 0	\$ 344,436
Interest	1,018,347	0	1,018,347
Differences between expected and actual experience	(159,150)	0	(159,150)
Changes in assumptions	1,076,930	0	1,076,930
Contributions-employer	0	267,804	(267,804)
Contributions-employee	0	189,025	(189,025)
Net investment income	0	3,980,840	(3,980,840)
Benefit payments, including refunds of employee contributions	(630,639)	(630,639)	0
Administrative expense	<u>0</u>	<u>(10,008)</u>	<u>10,008</u>
Net changes for the year ended June 30, 2021	1,649,924	3,797,022	(2,147,098)
Balances at June 30, 2020	<u>14,017,043</u>	<u>15,523,389</u>	<u>(1,506,346)</u>
Balances at June 30, 2021	<u>\$ 15,666,967</u>	<u>\$ 19,320,411</u>	<u>\$ (3,653,444)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability(asset)	\$ (1,515,312)	\$ (3,653,444)	\$ (5,422,332)

Pension Expense

For the year ended June 30, 2022, the City recognized negative pension expense of \$483,474 in the government-wide statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the City reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 448,886
Net difference between projected and actual earnings on pension plan investments	0	2,123,729
Changes in assumptions	861,544	0
Contributions subsequent to the measurement date of June 30, 2021	<u>122,478</u>	<u>not applicable</u>
	<u>\$ 984,022</u>	<u>\$ 2,572,615</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” 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, 2022

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

Year Ending June 30:	
2023	\$ (494,036)
2024	(449,158)
2025	(379,023)
2026	(388,856)
2027	0
Thereafter	0

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

Teacher Legacy Pension Plan

Plan Description

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Benefits Provided

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

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the TCRS 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, 2022 to the Teacher Legacy Plan were \$531,606 which is 10.08% 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, 2022

Pension Liability(Asset)

At June 30, 2022 the Board of Education reported an asset of \$6,493,074 for its proportionate share of net pension liability(asset). The net pension asset was measured as of June 30, 2021, 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, 2021 the Board of Education's proportion was 0.150538%. The proportion measured as of June 30, 2020 was 0.158621%.

Pension Expense

For the year ended June 30, 2022, the Board of Education recognized negative pension expense of \$1,003,858.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, 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	\$ 21,820	\$ 541,543
Changes in assumptions	1,734,841	0
Net difference between projected and actual earnings on pension plan investments	0	5,178,081
Changes in proportion share of the net pension liability(asset)	43,593	1,674
Contributions subsequent to the measurement date of June 30, 2021	<u>531,616</u>	<u>not applicable</u>
	<u>\$ 2,331,870</u>	<u>\$ 5,721,298</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

The Board of Education employer contributions of \$531,616, 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, 2023. 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>	
2023	\$ (926,395)
2024	(879,003)
2025	(718,232)
2026	(1,397,415)
2027	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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-Living adjustment	2.125%

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Proportionate share of the net pension liability(asset)	\$ (1,155,549)	\$ (6,493,074)	\$(10,934,959)

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, 2022

Teacher Retirement Plan

Plan Description

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

Benefits Provided

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in the law. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2022 to the Teacher Retirement Plan were \$31,862, which is 2.01% 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, 2022, the Board of Education reported an asset of \$96,963 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, 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, 2021, the Board of Education's proportion was .089515%. The proportion measured as of June 30, 2020 was .075163%.

Pension Expense

For the year ended June 30, 2022, the Board of Education recognized negative pension expense of \$10,969.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, 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	\$ 1,687	\$ 17,742
Net difference between projected and actual earnings on pension plan investments	0	55,815
Changes in assumptions	34,974	0
Changes in proportion share of the net pension liability(asset)	1,049	9,837
Contributions subsequent to the measurement date of June 30, 2020	<u>31,862</u>	<u>not applicable</u>
	<u>\$ 69,572</u>	<u>\$ 83,394</u>

The Board of Education's employer contributions of \$31,862, 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, 2023. 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>	
2023	\$ (13,065)
2024	(12,760)
2025	(12,673)
2026	(14,077)
2027	810
Thereafter	6,081

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, 2022

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-Living adjustment	2.125%

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation from each major asset class are summarized in the following table:

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Proportionate share of the net pension liability(asset)	\$ 33,333	\$ (96,963)	\$ (193,062)

Pension Plan Fiduciary Net Position

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

Teacher Retirement Defined Contribution Plan

Teachers who participate in the Teacher Retirement Plan described in Note E, are also covered by a separate defined contribution 401(k) plan administered by the State of Tennessee. Employees are not required to contribute to the plan, employers are required to contribute 5% of employee compensation. Participants are immediately invested in the plan. The City’s employer contributions to the state administered 401(k) plan were \$79,372 for the year ended June 30, 2022.

Utility Public Employee Retirement Plan

Plan Description

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

Although the Plan has fewer than 100 employees, since the Utility Board of Directors administers the Plan it was determined that under current reporting requirements for the defined benefit plans that the Plan should be audited. An audit of the Plan occurred for the latest Plan year of December 31, 2021. The fiduciary fund reporting for the Plan are included in the financial statements of City of Sweetwater, Tennessee for the year ending June 30, 2022.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Benefits Provided

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

Employee membership data related to the Plan as of the measurement date of January 1, 2022 was as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to but not yet receiving benefits	5
Active plan members	<u>26</u>
	<u>40</u>

Contributions

The Plan is contributory whereby employees are required to contribute 5% (effective July 1, 2015 increased from 3%) of earnable compensation, and the employer is responsible for the remaining contribution. For the plan year ended December 31, 2021, the Utility's required contribution of \$263,903 (15.36% of covered payroll) is an actuarially determined amount sufficient to amortize the unfunded actuarially accrued liability and fund employer normal cost. There is no legal or contractual maximum contribution rate. Both the contribution requirements of Plan members and the Utility are established and may be amended by the Utility's Board of Directors.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Annual Required Contribution Trend Information

Fiscal Year	Required Contribution				% Contributed
	Water and Sewer	Electric	Gas	Totals	
2015	\$ 61,016	\$ 250,952	\$ 58,496	\$ 370,464	\$ 105.37%
2016	89,689	361,321	52,293	503,303	274.11%
2017	88,117	336,120	48,505	472,742	226.70%
2018	96,911	258,173	52,965	408,049	125.47%
2019	40,814	244,815	71,452	357,081	219.02%
2020	67,307	233,506	42,447	343,259	183.58%
2021	60,392	207,845	34,418	302,655	129.91%
2022	54,177	179,771	29,956	263,903	134.35%

Net Pension Liability

The Utility's net pension liability was measured as of January 1, 2022, 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, 2022 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-2021 mortality improvements

The only changes in assumptions were in regard to updating the mortality table from the MP-2020 table to the MP-2021 table.

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, 2021 are summarized in the following table:

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

<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.

Funded Status

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>% of Covered Payroll ((b-a)/c)</u>
1/1/22	\$ 8,035	\$ 9,067	\$ 1,032	88.62%	\$ 1,651	62.49%
1/1/21	7,231	8,682	1,451	83.29%	1,718	84.45%
1/1/20	6,480	8,359	1,879	77.52%	1,716	109.49%
1/1/19	5,674	7,954	2,280	71.34%	1,729	131.82%
1/1/18	4,962	7,490	2,528	66.25%	1,670	151.43%
1/1/17	4,837	7,789	2,952	62.10%	1,971	149.81%
1/1/16	3,752	7,403	3,651	50.68%	1,967	185.62%
1/1/15	2,777	6,911	4,134	40.18%	1,996	207.16%

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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, 2021:			
Increase(decrease):			
Service cost	\$ 82,895	\$ 0	\$ 82,895
Interest	482,051	0	482,051
Difference between expected and actual experience	59,059	0	59,059
Changes in assumptions	12,411	0	12,411
Contributions-employer	0	354,546	(354,546)
Contributions-employees	0	86,115	(86,115)
Net investment income	0	708,225	(708,225)
Benefit payments, including refunds of employee contributions	(251,553)	(251,553)	0
Adjustment for change in employee contributions	0	(5,586)	5,586
Administrative expenses	0	(45,053)	45,053
Net changes for the year ended December 31, 2021	384,863	846,694	(461,831)
Balances at December 31, 2020	8,681,665	7,834,632	847,033
Balances at December 31, 2021	<u>\$ 9,066,528</u>	<u>\$ 8,681,326</u>	<u>\$ 385,202</u>
	Net Pension Liability	Net Changes	Net Pension Liability
<u>Department</u>	12/31/2020	12/31/2021	12/31/2021
Electric	\$ 581,691	\$ (319,291)	\$ 262,400
Gas	96,342	(52,618)	43,724
Water and sewer	169,000	(89,922)	79,078
	<u>\$ 847,033</u>	<u>\$ (461,831)</u>	<u>\$ 385,202</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS
(continued)

June 30, 2022

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	\$ 1,907,897	\$ 385,202	\$ 832,598

Pension Expense

For the plan year ended December 31, 2021, the Plan recognized pension expense as follows (including adjustments for change in allocation percentages between departments):

<u>Department</u>	<u>Pension Expense</u>
Electric	\$ 299,738
Gas	49,946
Water and sewer	90,331
	<u>\$ 440,015</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, 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	\$ 633,827	\$ 80,958
Changes in assumptions	1,371,693	116,160
Net difference between projected and actual earnings on plan investments	<u>0</u>	<u>1,114,285</u>
Totals	<u>\$ 2,005,520</u>	<u>\$ 1,311,403</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

At June 30, 2022, the Utility reported deferred outflows of resources related to the Plan from the following sources:

Contributions subsequent to the measurement date of January 1, 2022: \$ 175,002

Department		
Electric	\$	120,180
Gas		19,902
Water and Sewer		<u>34,920</u>
	\$	<u>175,002</u>

The amount shown above for “Contributions subsequent to the measurement date of January 1, 2022,” 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:

Year Ending June 30:		
2022	\$	13,989
2023		(258,291)
2024		(130,683)
2025		(29,605)
2026		133,673
Thereafter		1,140,036

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, 2022

The deferred outflows of resources and deferred inflows of resources for the Utility are as follows as of June 30, 2022:

<u>Department</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 1,485,372	\$ 893,328
Gas	247,511	148,857
Water and sewer	<u>447,639</u>	<u>269,218</u>
	<u>\$ 2,180,522</u>	<u>\$ 1,311,403</u>

Payable to the Pension Plan

At June 30, 2022 the Utility did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2022 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, 2022

All full-time employees attaining the age of 18 and with six months of employment are eligible to become members of the 401(a) Plan. The 401(a) Plan defines the employee contributions and Utility's matching contributions at 5% each. The Utility's contributions for each participating employee are fully vested after five years. Utility contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Utility's obligation to contribute. During the year ended June 30, 2022, the payroll for employees covered under the 401(a) Plan was \$200,991 and the Utility contributed \$10,050 to the 401(a) Plan on behalf of its employees which approximate 5% of eligible payroll.

Deferred Compensation Plan

Plan Description

The Utility adopted the Sweetwater Utilities Board 457(b) Deferred Compensation Plan (457(b) Plan) effective January 1, 2012. All employees attaining the age of 18 are eligible to become members of the 457(b) Plan. The 457(b) Plan allows employees to defer a portion of their current salary (up to \$20,500) 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. At June 30, 2022 there were 6 active participants in the 457(b) Plan for the water and sewer department.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Closed Teacher Group Other Postemployment Benefits Plan

Plan Description

Employees of the City, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided

The City offers the TGOP to provide health insurance coverage to eligible pre-65 teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA Section 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The State of Tennessee, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; between 20 and 29 years, 35%; and less than 20 years, 20% of the scheduled premium. The subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Employees Covered by Benefit Terms

At July 1, 2021, the following employees of the City were covered by the benefit terms of the TGOP.

Inactive employees currently receiving benefit payments	12
Active employees	<u>117</u>
	<u>129</u>

An insurance committee, created in accordance with TCA Section 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the TGOP are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to TGOP participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the City paid \$91,498 to the TGOP for OPEB benefits as they came due.

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	7.36% for pre-65 in 2021, decreasing annually over a 7 year period to an ultimate rate of 4.5%. 7.32% for post-65 in 2021, decreasing annually over an 8 year period to an ultimate rate of 4.5%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021 valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by the TCRS based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experiences. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusting with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are same as those used by TCRS and are taken from a gender distinct table published in the IRS ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shows on the Bond Buyer 20-year Municipal GO AA index.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Changes in Collective Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 103,110
Interest	50,590
Differences between expected and actual experience	(89,940)
Change in assumptions	364,428
Benefit payments	<u>(165,106)</u>
Net changes	263,082
Total OPEB liability – beginning balance	<u>2,268,149</u>
Total OPEB liability – ending balance	<u>\$ 2,531,231</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 905,181
Employer’s proportionate share of the collective total OPEB liability	\$ 1,626,050
Employer’s proportion of the collective total OPEB liability	64.24%

The City has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The City’s proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 1.56% from the prior measurement date. The City recognized \$68,309 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for City retirees.

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption decreased the total OPEB liability.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.16%	2.16%	3.16%
Proportionate share of collective total OPEB liability	\$ 1,725,988	\$ 1,626,050	\$ 1,527,835

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Change in the Healthcare Cost Trend Rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	(6.36%/6.32% decreasing to 3.50%)	Discount Rate (7.36%/7.32% decreasing to 4.50%)	(8.36%/8.32% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 1,465,155	\$ 1,626,050	\$ 1,811,741

OPEB Expense

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$199,416.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 136,131	\$ 176,939
Changes in assumptions	324,395	94,046
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of certain amounts paid by the employer and nonemployer contributors as the benefits came due	55,346	41,170
Employer payments subsequent to the measurement date of June 30, 2022	<u>91,498</u>	<u>0</u>
	<u>\$ 607,370</u>	<u>\$ 312,155</u>

The amount shown above for “Employer payments subsequent to the measurement date of June 30, 2022” will be included as a reduction to total OPEB liability in the following measurement period.

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

Year Ending	
<u>June 30:</u>	
2023	\$ 32,371
2024	32,371
2025	32,371
2026	32,371
2027	36,356
Thereafter	37,877

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2021

Closed Tennessee Plan

Plan Description

Employees of the City, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local government entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA Section 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA Sections 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible, and also received a benefit from the TCRS may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The State of Tennessee, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of LEAs based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; between 20 and 29 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Employees Covered by Benefit Terms

At July 1, 2021, the following employees of the City were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	21
Inactive employees entitled to but not yet receiving benefit payments	15
Active employees	<u>92</u>
	<u>128</u>

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

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in TNP are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by the TCRS based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experiences. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2020. Post retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shows on the Bond Buyer 20-year Municipal GO AA index.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Changes in Collective Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 11,338,000
Interest	9,409,000
Differences between expected and actual experience	(3,243,000)
Change in assumptions	(73,706,000)
Benefit payments	<u>(9,567,000)</u>
Net changes	(65,769,000)
Total OPEB liability – beginning balance	<u>419,148,000</u>
Total OPEB liability – ending balance	<u>\$ 353,379,000</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 353,379,000
Employer’s proportionate share of the collective total OPEB liability	\$ 0
Employer’s proportion of the collective total OPEB liability	0%

The City has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The City’s proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.00% from the prior measurement date. The City recognized \$17,986 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the City retired employees.

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption decreased the total OPEB liability.

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$17,986.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Utility's Other Postemployment Benefits Plan

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Active plan members	<u>50</u>
	<u>52</u>

Contributions

The Board of Directors reserves the authority to determine the level of contributions the Utility will make to the OPEB Plan for the purpose of financing the postemployment benefits accrued by its respective employees. For the year ended June 30, 2022, the Utilities average contribution rate was 8% of covered employee payroll. Employees are not required to contribute to the OPEB Plan.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Net OPEB Liability

The Utility's net OPEB Plan liability was measured as of July 1, 2022 and the total OPEB liability used to calculate the net OPEB Plan liability was determined by an actuarial valuation of July 1, 2021.

Actuarial Assumptions

The total OPEB Plan liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Mortality rates were based on the Tennessee Consolidated Retirement System September 24, 2021.

The assumed rate on High Quality 20-year Tax-Exempt G.O. Bonds did not change from 5.50% in the prior year. The underlying index used is the Bond Buyer 20-Bond GO Index. The choice of index is unchanged from prior year. The rate has been updated to the current Fiscal Year end based on changes in market conditions as reflected in the Index.

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

Discount Rate

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Changes in Net OPEB Plan Liability

	Total OPEB Plan Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Plan Liability(Asset) (a)-(b)
Changes for the year ended June 30, 2022:			
Increase(decrease):			
Service cost	\$ 7,142	\$ 0	\$ 7,142
Interest	6,444	0	6,444
Changes of assumptions	(28,184)	0	(28,184)
Contributions - employer	0	17,078	(17,078)
Net investment income	0	(50,285)	50,285
Expected benefit payments	<u>(17,053)</u>	<u>(17,053)</u>	<u>0</u>
Net changes for the year ended June 30, 2022	(31,651)	(50,260)	18,609
Balances at June 30, 2021	<u>125,686</u>	<u>401,807</u>	<u>(276,121)</u>
Balances at June 30, 2022	<u>\$ 94,035</u>	<u>\$ 351,547</u>	<u>\$ (257,512)</u>

<u>Department</u>	Net Pension Liability 6/30/2021	Net Changes	Net Pension Liability 6/30/2022
Electric	\$ (185,029)	\$ 13,938	\$ (171,091)
Gas	(23,884)	837	(23,047)
Water and sewer	<u>(67,208)</u>	<u>3,834</u>	<u>(63,374)</u>
	<u>\$ (276,121)</u>	<u>\$ 18,609</u>	<u>\$ (257,512)</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Plan liability (asset)	\$ (245,553)	\$ (257,512)	\$ (267,836)

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

	1% Decrease Varies	Current Discount Rate Varies	1% Increase Varies
Net OPEB liability (asset)	\$ (271,275)	\$ (257,512)	\$ (240,408)

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

For the year ended June 30, 2022 the Utility recognized OPEB Plan expense of \$14,213.

<u>Department</u>	
Electric	\$ 9,443
Gas	1,272
Water and sewer	<u>3,498</u>
	<u>\$ 14,213</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

At June 30, 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 0	\$ 32,366
Changes in assumptions	0	177,276
Net difference between projected and actual earnings on plan investments	<u>57,909</u>	<u>28,993</u>
Total	<u>\$ 57,909</u>	<u>\$ 238,635</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, 2022:

<u>Department</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 38,473	\$ 158,549
Gas	5,183	21,358
Water and sewer	<u>14,251</u>	<u>58,728</u>
	<u>\$ 57,909</u>	<u>\$ 238,635</u>

Payable to the OPEB Plan

At June 30, 2022 the Utility did not report a payable for any outstanding amount of employer contributions to the OPEB Plan required for the year ended June 30, 2022 since all contributions were paid prior to year-end.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE I - LONG-TERM DEBT

Long-term debt at June 30, 2022 consisted of the following:

Governmental Activities:

Tennessee Municipal Bond, Series 2001, payable in annual installments through May 2030, variable interest at 0.72% at June 30, 2022	\$ 2,320,000
Tennessee Local Development Authority revolving loan, payable in monthly installments of \$9,256 through January 2029, interest at 2.00%	695,917
Tennessee Municipal Bond Fund, Series 2016, payable in annual installment of varying amounts with interest at 2.86% payable in semi-annual installments through 2031.	776,200
Tennessee Municipal Bond Fund, Series 2020 payable in payable in annual installment of varying amounts with interest at 2.16% payable in semi-annual installments through 2028.	433,000
Capital Outlay Note, payable in annual installments through 2026, interest due semi annually at 2.090%	191,000
Tennessee Municipal Bond, Series 2017, payable in annual installments through 2042, variable interest at 1.05% at June 30, 2022	<u>2,178,000</u>
	6,594,117
Less current maturities	<u>(639,812)</u>
	<u>\$ 5,954,305</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, 2022

Business-Type Activities:

Adjustable rate note through the Public Building Authority of Montgomery County, Tennessee, payable in annual installments through May 2025. The interest rate at June 30, 2019 was 2.07%	\$ 1,041,000
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.	173,302
3.80% loan agreement with the Tennessee Municipal Bond Fund payable in quarterly interest payments and annual principal payments through April 2030.	2,710,000
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%	884,723
Water and Sewer Revenue and Tax Bond Anticipation Notes, Series 2017, 2.625% interest rate	1,344,715
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.	1,320,660
2.45% revolving loan agreement with the Tennessee Local Development Authority payable in monthly payments of principal and interest totaling \$6,303 through June 2027.	<u>355,715</u> 7,830,115
Less current maturities	<u>(1,075,672)</u>
	<u>\$ 6,754,443</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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 (0.72% at June 30, 2022) 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, 2022 interest and fees paid totaled \$4,580 and \$10,556, 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 (0.70% at June 30, 2022) 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 \$12,872.

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, 2022

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

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

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

During the year ended June 30, 2021, the Utility's debt service coverage ratio was 2.22. 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, 2022.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

Events of default under the bonds and revolving loan agreements include but are not limited to: (1) failure to make principal payments when due and payable and (2) failure to make installment of interest payments. In the event of default, if the Utility is unable to remedy, outstanding amounts may become due and payable by declaration of the fiscal agent or the holders. The Utility is not in violation of any covenants at June 30, 2022.

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Maturities of long-term debt as of June 30, 2022 are as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 639,812	\$ 92,088	\$ 731,900
2024	655,492	76,993	732,485
2025	672,208	67,297	739,505
2026	690,072	57,343	747,415
2027	658,672	47,153	705,825
2028	675,720	37,747	713,467
2029	580,841	29,402	610,243
2030	519,000	22,544	541,544
2031	198,300	16,435	214,735
2032	107,000	12,569	119,569
2033	109,000	11,424	120,424
2034	111,000	10,259	121,259
2035	114,000	9,062	123,062
2036	116,000	7,844	123,844
2037	118,000	6,605	124,605
2038	121,000	5,334	126,334
2039	123,000	4,043	127,043
2040	126,000	2,720	128,720
2041	128,000	1,376	129,376
2042	<u>131,000</u>	<u>688</u>	<u>131,688</u>
	<u>\$ 6,594,117</u>	<u>\$ 518,921</u>	<u>\$ 7,113,038</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Business-Type Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 1,075,672	\$ 143,499	\$ 1,219,171
2024	1,112,355	127,280	1,239,635
2025	745,124	110,728	855,852
2026	668,005	95,811	763,816
2027	663,947	80,883	744,830
2028	589,470	67,419	656,889
2029	579,845	54,577	634,422
2030	174,261	44,481	218,742
2031	176,719	42,023	218,742
2032	179,208	39,534	218,742
2033	181,741	37,001	218,742
2034	184,318	34,424	218,742
2035	186,940	31,802	218,742
2036	189,537	29,141	218,678
2037	90,779	26,899	117,678
2038	92,522	25,156	117,678
2039	69,063	23,470	92,533
2040	35,022	22,434	57,456
2041	35,952	21,504	57,456
2042	36,907	20,549	57,456
2043	37,888	19,568	57,456
2044	38,895	18,561	57,456
2045	39,928	17,528	57,456
2046	40,989	16,467	57,456
2047	42,078	15,378	57,456

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Business-Type Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2048	43,196	14,260	57,456
2049	44,343	13,113	57,456
2050	45,521	11,935	57,456
2051	46,731	10,725	57,456
2052	47,972	9,484	57,456
2053	49,247	8,209	57,456
2054	50,555	6,901	57,456
2055	51,899	5,557	57,456
2056	53,277	4,179	57,456
2057	54,693	2,763	57,456
2058	56,146	1,310	57,456
2059	<u>19,370</u>	<u>108</u>	<u>19,478</u>
	<u>\$ 7,830,115</u>	<u>\$ 1,254,661</u>	<u>\$ 9,084,776</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Changes in long-term debt for the year ended June 30, 2022 were as follows:

	<u>Balance</u> <u>7/1/21</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/22</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental</u>					
<u>Activities:</u>					
Tennessee Municipal Bond, Series 2001	\$ 2,572,000	\$ 0	\$ (252,000)	\$ 2,320,000	\$ 260,000
Tennessee Municipal Bond, Series 2016	850,900	0	(74,700)	776,200	77,400
Tennessee Municipal Bond, Series 2017	2,266,000	0	(88,000)	2,178,000	90,000
Tennessee Municipal Bond, Series 2020	500,000	0	(67,000)	433,000	68,000
Tennessee Local Development Authority	792,085	0	(96,168)	695,917	98,112
Capital Outlay Note	<u>0</u>	<u>191,000</u>	<u>0</u>	<u>191,000</u>	<u>46,300</u>
	<u>\$ 6,980,985</u>	<u>\$ 191,000</u>	<u>\$ (577,868)</u>	<u>\$ 6,594,117</u>	<u>\$ 639,812</u>

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

	<u>Balance</u> <u>7/1/21</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/22</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type</u>					
<u>Activities:</u>					
Revolving loan agreements	\$ 2,040,271	\$ 0	\$ (190,594)	\$ 1,849,677	\$ 193,896
Water and Sewer Revenue tax bonds	1,366,562	0	(21,847)	1,344,715	22,426
Interdepartment loan Gas Department	931,143	0	(46,420)	884,723	47,350
Tennessee Municipal Bonds					
Adjustable rate loan	3,046,000	0	(336,000)	2,710,000	349,000
	<u>1,486,000</u>	<u>0</u>	<u>(445,000)</u>	<u>1,041,000</u>	<u>463,000</u>
	<u>\$ 8,869,976</u>	<u>\$ 0</u>	<u>\$ (1,039,861)</u>	<u>\$ 7,830,115</u>	<u>\$ 1,075,672</u>

NOTE J - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2022, resulting from short-term advances for shared costs, were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General purpose school fund	Cafeteria fund	\$ 18,647

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, 2022 was \$884,723 (\$47,350 current and \$837,373 long-term).

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE K - INTERFUND TRANSFERS

Transfers during the year ended June 30, 2022 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General fund	General purpose school fund	\$ 610,000
General fund	Library fund	134,000
Tourism fund	General fund	30,000
Electric fund	General fund	555,000
Natural gas fund	General fund	88,000

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

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE L - CONTRACT WITH TENNESSEE VALLEY AUTHORITY

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

NOTE M - PREPAID EXPENSES

Prepaid expenses at June 30, 2022 for the electric fund included the following:

Prepaid power	\$ 84,383
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The Utility prepays its monthly power bill by placing excess funds on deposit with TVA. Interest is earned on the deposited funds at a variable rate (0.1% at June 30, 2022).

NOTE N - CONCENTRATION OF CREDIT RISK

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

NOTE O - COMMITMENTS

During the year ended June 30, 2022, the City entered into contracts related to administration of American Recovery Plan Act projects totaling \$87,000. No funds had been expended on this contract as of June 30, 2022.

During the year ended June 30, 2022, the City entered into contracts totaling \$173,950 related to engineering and design for road and sidewalk projects totaling \$173,950; \$69,112 had been expended as of June 30, 2022

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE P - RESTRICTED NET POSITION

At June 30, 2022 restricted net position for governmental activities consisted of the following:

Special projects	\$ 74,180
Street improvements	466,487
Pension	10,243,481
Pension stabilization trust	95,575
Drug enforcement	87,030
School capital projects	75,699
Economic development	152,256
Tourism	67,382
Home grant	4,386
Internal school fund	114,991
School federal projects	5,343
School general purpose	2,899,817
School cafeteria	<u>550,722</u>
	<u>\$ 14,837,349</u>

At June 30, 2022 restricted net position for business-type activities consisted of the following:

Other postemployment benefits	<u>\$ 257,512</u>
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NOTE Q - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2022, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Amount</u>
Cafeteria Fund	\$ 129,869

CITY OF SWEETWATER, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE R – PRIOR PERIOD ADJUSTMENT

During fiscal year 2022, management discovered a calculation error in its deferred pension outflows and inflows of resources that affected multiple years. As a result of correcting the error the Utility has recorded a prior period adjustment to the net position of the Electric Department as of June 30, 2022 of \$475,738 which decreased the beginning net position from \$27,019,560 to \$26,543,822, the Gas Department as of June 30, 2022 of \$78,865 which decreased the beginning net position from \$11,785,064 to \$11,706,199 and the Water and Sewer Department as of June 30, 2022 of \$138,271 which decreased the beginning net position from \$16,744,372 to \$16,606,101.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET) AND RELATED RATIOS

June 30, 2022

Public Employee Retirement Plan

Total pension liability

Service cost
Interest
Differences between actual and expected experience
Change of assumptions
Benefit payments, including refunds of employee contributions
Net change in total pension liability
Total pension liability - beginning
Total pension liability - ending (a)

Plan fiduciary net position

Contributions - employer
Contributions - employee
Net investment income
Benefit payments, including refunds of employee contributions
Other
Administrative expense
Net change in plan fiduciary net position
Plan fiduciary net position - beginning
Plan fiduciary net position - ending (b)

Net pension liability(asset) - ending (a) - (b)

Plan fiduciary net position as a percentage of total net pension liability

Covered payroll

Net pension liability(asset) as a percentage of covered employee payroll

See the accompanying independent accountants' audit report.

Measurement Date at June 30,

2021	2020	2019	2018	2017
\$ 344,436	\$ 355,711	\$ 336,148	\$ 346,953	\$ 316,083
1,018,347	985,914	952,960	905,739	868,904
(159,150)	(290,659)	(323,444)	(88,962)	(110,280)
1,076,930	0	0	0	283,479
<u>(630,639)</u>	<u>(554,043)</u>	<u>(507,345)</u>	<u>(495,849)</u>	<u>(467,127)</u>
1,649,924	496,923	458,319	667,881	891,059
14,017,043	13,520,120	13,061,801	12,393,920	11,502,861
<u>15,666,967</u>	<u>14,017,043</u>	<u>13,520,120</u>	<u>13,061,801</u>	<u>12,393,920</u>
267,804	269,026	260,663	267,355	260,806
189,025	189,455	183,565	180,917	184,038
3,980,840	736,083	1,034,612	1,070,026	1,316,795
(630,639)	(554,043)	(507,345)	(495,849)	(467,127)
0	0	0	0	0
<u>(10,008)</u>	<u>(10,045)</u>	<u>(10,147)</u>	<u>(11,280)</u>	<u>(10,244)</u>
3,797,022	630,476	961,348	1,011,169	1,284,268
15,523,389	14,892,913	13,931,565	12,920,396	11,636,128
<u>19,320,411</u>	<u>15,523,389</u>	<u>14,892,913</u>	<u>13,931,565</u>	<u>12,920,396</u>
<u><u>\$(3,653,444)</u></u>	<u><u>\$(1,506,346)</u></u>	<u><u>\$(1,372,793)</u></u>	<u><u>\$(869,764)</u></u>	<u><u>\$(526,476)</u></u>
123.32%	110.75%	110.15%	106.66%	104.25%
\$ 3,771,884	\$ 3,789,096	\$ 3,671,305	\$3,765,565	\$3,673,327
-96.86%	-39.75%	-37.39%	-23.10%	14.33%

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET) AND RELATED RATIOS

(continued)

June 30, 2022

Total pension liability

Service cost

Interest

Differences between actual and expected experience

Change of assumptions

Benefit payments, including refunds of employee contributions

Net change in total pension liability

Total pension liability - beginning

Total pension liability - ending (a)

Plan fiduciary net position

Contributions - employer

Contributions - employee

Net investment income

Benefit payments, including refunds of employee contributions

Other

Administrative expense

Net change in plan fiduciary net position

Plan fiduciary net position - beginning

Plan fiduciary net position - ending (b)

Net pension liability(asset) - ending (a) - (b)

Plan fiduciary net position as a percentage of total net pension liability

Covered payroll

Net pension liability(asset) as a percentage of covered employee payroll

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.

Measurement Date at June 30,		
2016	2015	2014
\$ 299,541	\$ 287,486	\$ 296,695
813,938	774,676	770,383
45,982	(94,420)	(530,018)
0	0	0
<u>(419,121)</u>	<u>(493,492)</u>	<u>(447,729)</u>
740,340	474,250	89,331
10,762,521	10,288,271	10,198,940
<u>11,502,861</u>	<u>10,762,521</u>	<u>10,288,271</u>
247,646	228,652	229,464
174,676	161,811	159,450
300,458	340,147	1,585,280
(419,121)	(493,492)	(447,729)
9,815	0	0
<u>(8,847)</u>	<u>(5,479)</u>	<u>(4,503)</u>
304,627	231,639	1,521,962
11,331,501	11,099,862	9,577,900
<u>11,636,128</u>	<u>11,331,501</u>	<u>11,099,862</u>
<u>\$ (133,267)</u>	<u>\$ (568,980)</u>	<u>\$ (811,591)</u>
101.16%	105.29%	107.89%
\$ 3,487,971	\$ 3,220,453	\$ 3,173,767
3.82%	17.67%	25.57%

Changes of Assumptions:

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 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, 2022

Utility Public Employee Retirement Plan

Total pension liability

Service cost

Interest

Differences between actual and expected experience

Change of assumptions

Benefit payments, including refunds of employee contributions

Net change in total pension liability

Total pension liability - beginning

Total pension liability - ending (a)

Plan fiduciary net position

Contributions - employer

Contributions - employee

Net investment income

Benefit payments, including refunds of employee contributions

Other

Administrative expense

Net change in plan fiduciary net position

Plan fiduciary net position - beginning

Plan fiduciary net position - ending (b)

Net pension liability(asset) - ending (a) - (b)

Plan fiduciary net position as a percentage of total net pension liability

Covered payroll

Net pension liability(asset) as a percentage of covered employee payroll

See the accompanying independent accountants' audit report.

Measurement Date at June 30,

2021	2020	2019	2018	2017
\$ 82,895	\$ 85,188	\$ 88,944	\$ 85,545	\$ 128,423
482,051	464,408	442,329	416,673	435,459
59,059	43,846	107,417	298,170	(94,592)
12,411	(36,799)	(23,727)	(21,327)	(26,692)
(251,553)	(233,578)	(209,770)	(315,975)	(741,306)
384,863	323,065	405,193	463,086	(298,708)
8,681,665	8,358,600	7,953,407	7,490,321	7,789,029
9,066,528	8,681,665	8,358,600	7,953,407	7,490,321
354,546	393,168	630,164	782,078	511,997
86,115	92,767	91,800	104,257	97,059
708,225	876,496	922,849	(267,766)	540,938
(251,553)	(233,578)	(209,770)	(315,975)	(741,306)
(5,586)	(5,941)	(5,643)	23,269	(9,077)
(45,053)	(39,027)	(35,295)	(32,378)	(27,903)
846,694	1,083,885	1,394,105	293,485	371,708
7,834,632	6,750,747	5,356,642	5,063,157	4,691,449
8,681,326	7,834,632	6,750,747	5,356,642	5,063,157
<u>\$ 385,202</u>	<u>\$ 847,033</u>	<u>\$ 1,607,853</u>	<u>\$ 2,596,765</u>	<u>\$ 2,427,164</u>
95.75%	90.24%	80.76%	67.35%	32.40%
\$ 1,651,079	\$ 1,718,347	\$ 1,715,962	\$ 1,729,267	\$ 1,669,868
23.33%	49.29%	93.70%	150.17%	145.35%

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET) AND RELATED RATIOS

(continued)

June 30, 2022

Total pension liability

Service cost

Interest

Differences between actual and expected experience

Change of assumptions

Benefit payments, including refunds of employee contributions

Net change in total pension liability

Total pension liability - beginning

Total pension liability - ending (a)

Plan fiduciary net position

Contributions - employer

Contributions - employee

Net investment income

Benefit payments, including refunds of employee contributions

Other

Administrative expense

Net change in plan fiduciary net position

Plan fiduciary net position - beginning

Plan fiduciary net position - ending (b)

Net pension liability(asset) - ending (a) - (b)

Plan fiduciary net position as a percentage of total net pension liability

Covered payroll

Net pension liability(asset) as a percentage of covered employee payroll

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.

Measurement Date at June 30,		
2016	2015	2014
\$ 138,489	\$ 139,439	\$ 78,729
414,800	370,178	421,798
130,073	214,376	(27,444)
(44,461)	370,994	1,771,993
<u>(253,204)</u>	<u>(603,236)</u>	<u>(878,736)</u>
385,697	491,751	1,366,340
<u>7,403,332</u>	<u>6,911,581</u>	<u>5,545,241</u>
7,789,029	7,403,332	6,911,581
1,071,730	1,379,585	390,344
98,460	78,137	56,224
132,746	(45,586)	134,539
(253,204)	(603,236)	(878,736)
(3,930)	0	0
<u>(21,365)</u>	<u>(20,501)</u>	<u>(20,498)</u>
1,024,437	788,399	(318,127)
<u>3,667,012</u>	<u>2,878,613</u>	<u>3,196,740</u>
<u>4,691,449</u>	<u>3,667,012</u>	<u>2,878,613</u>
<u>\$ 3,097,580</u>	<u>\$ 3,736,320</u>	<u>\$ 4,032,968</u>
39.77%	50.47%	58.35%
\$ 1,970,574	\$ 1,967,078	\$ 1,995,740
157.19%	189.94%	202.08%

Changes of Assumptions:

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

CITY OF SWEETWATER, TENNESSEE

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

June 30, 2022

Teacher Legacy Pension Plan

	Measurement date at June 30,			
	2021	2020	2019	2018
Proportion of the net pension liability (asset)	\$ (6,493,074)	\$ (1,209,602)	\$ (1,642,943)	\$ (543,773)
Proportionate share of the net pension liability (asset)	0.150538%	0.158621%	0.159791%	0.154529%
Covered employee payroll	\$ 4,940,933	\$ 5,279,320	\$ 5,358,028	\$ 5,411,099
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(131.41)%	(22.91)%	(30.66)%	(10.05)%
Plan fiduciary net position as a percentage of the total pension liability	116.13%	103.09%	104.28%	101.49%

See the accompanying independent accountants' audit report.

Measurement date at June 30,			
2017	2016	2015	2014
\$ (49,798)	\$ 941,846	\$ 61,343	\$ (23,265)
0.152207%	0.150709%	0.014975%	0.014317%
\$ 5,380,434	\$ 5,440,279	\$ 5,605,879	\$ 5,619,511
(.93)%	17.31%	1.09%	(.14)%
100.14%	97.14%	99.81%	100.08%

CITY OF SWEETWATER, TENNESSEE

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

(continued)

June 30, 2022

Teacher Retirement Plan

	Measurement date at June 30,			
	2021	2020	2019	2018
Proportion of the net pension liability (asset)	\$ (96,963)	\$ (42,741)	\$ (40,764)	\$ (34,105)
Proportionate share of the net pension liability (asset)	0.089515%	0.075163%	0.072214%	0.075200%
Covered employee payroll	\$ 1,291,887	\$ 948,481	\$ 764,181	\$ 657,161
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(7.51)%	(4.51)%	(5.33)%	(5.19)%
Plan fiduciary net position as a percentage of the total pension liability	121.53%	116.52%	123.07%	126.97%

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,			
2017	2016	2015	2014
\$ (19,422)	\$ (5,479)	\$ (2,112)	\$ 0
0.073608%	0.052629%	0.052487%	0.00%
\$ 483,122	\$ 231,568	\$ 109,054	\$ 0
(4.02)%	(2.37)%	(1.94)%	0.00%
126.81%	121.88%	127.46%	0.00%

CITY OF SWEETWATER, TENNESSEE

CHANGES IN NET OPEB LIABILITY(ASSET) AND RELATED RATIOS

June 30, 2022

<u>Utility Employee OPEB Plan</u>	Measurement Date at June 30, 2022
<u>Total OPEB liability</u>	
Service cost	\$ 7,142
Interest	6,444
Differences between actual and expected experience	0
Changes in assumptions	(28,184)
Change of benefit terms	0
Expected benefit payments	(17,053)
Net change in total OPEB liability	(31,651)
Total OPEB liability - beginning	125,686
Total OPEB liability - ending (a)	94,035
 <u>Plan fiduciary net position</u>	
Contributions - employer	17,078
Net investment income	(50,285)
Expected benefit payments	(17,053)
Prior period adjustment	0
Net change in plan fiduciary net position	(50,260)
Plan fiduciary net position - beginning	401,807
Plan fiduciary net position - ending (b)	351,547
 Net pension liability(asset) - ending (a) - (b)	 \$ (257,512)
 Plan fiduciary net position as a percentage of total net pension liability	 373.85%
 Covered employee payroll	 \$ 3,137,956
 Net pension liability(asset) as a percentage of covered employee payroll	 -8.21%

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,				
2021	2020	2019	2018	2017
\$ 3,410	\$ 3,370	\$ 3,552	\$ 11,723	\$ 12,009
8,942	9,000	8,355	17,910	16,926
(28,932)	0	(7,404)	(11,855)	(10,773)
(3,794)	0	(175,266)	0	0
(6,474)	0	0	0	0
(20,102)	0	0	0	0
(46,950)	12,370	(170,763)	17,778	18,162
172,636	160,266	331,029	313,251	295,089
125,686	172,636	160,266	331,029	313,251
20,102	0	0	0	36,000
66,239	0	17,669	16,188	24,247
(20,102)	0	0	0	0
6,729	0	0	0	0
72,968	0	17,669	16,188	60,247
328,839	328,839	311,170	294,982	234,735
401,807	328,839	328,839	311,170	294,982
\$ (276,121)	\$ (156,203)	\$ (168,573)	\$ 19,859	\$ 18,269
321.45%	190.48%	205.18%	60.82%	52.78%
\$ 3,079,593	\$ 2,846,863	\$ 2,791,042	\$ 2,683,606	\$ 2,593,392
-8.97%	-5.49%	-6.04%	0.74%	0.70%

CITY OF SWEETWATER, TENNESSEE

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

June 30, 2022

<u>Teacher Group OPEB Plan</u>	Measurement Date at June 30, 2022
<u>Total OPEB liability</u>	
Service cost	\$ 103,110
Interest	50,590
Differences between actual and expected experience	(89,940)
Changes in assumptions	364,428
Benefit payments	(165,106)
Net change in total OPEB liability	<u>263,082</u>
Total OPEB liability - beginning	2,268,149
Total OPEB liability - ending	<u><u>\$ 2,531,231</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 905,181
Employer's proportionate share of the collective total OPEB liability	\$ 1,626,050
Covered employee payroll	\$ 4,767,776
Employer's proportionate share of the collective total OPEB liability as a percentage of covered employee payroll	34.10%

Notes to Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See the accompanying independent accountants' audit report

Measurement Date at June 30,		
2021	2020	2019
\$ 77,528	\$ 83,973	\$ 94,945
69,199	66,684	73,806
68,577	254,623	(341,681)
213,881	(159,370)	56,023
(109,061)	(111,062)	(96,374)
<u>320,124</u>	<u>134,848</u>	<u>(213,281)</u>
1,948,025	1,813,177	2,026,458
<u>\$ 2,268,149</u>	<u>\$ 1,948,025</u>	<u>\$ 1,813,177</u>
\$ 775,791	\$ 706,177	\$ 644,568
\$ 1,492,358	\$ 1,241,848	\$ 1,168,609
\$ 5,005,688	\$ 5,626,745	\$ 5,841,765
29.81%	22.07%	20.00%

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2022

<u>Closed Tennessee Plan</u>	Measurement Date at June 30, 2021
<u>Total OPEB liability</u>	
Service cost	\$ 11,338,000
Interest	9,409,000
Differences between actual and expected experience	(3,243,000)
Changes in assumptions	(73,706,000)
Benefit payments	(9,567,000)
Net change in total OPEB liability	(65,769,000)
Total OPEB liability - beginning	419,148,000
Total OPEB liability - ending	<u>\$ 353,379,000</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 353,379,000
Employer's proportionate share of the collective total OPEB liability	\$ 0
Covered employee payroll	\$ 1,534,873
Employer's proportionate share of the collective total OPEB liability as a percentage of covered employee payroll	0.00%

Notes to Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See the accompanying independent accountants' audit report

Measurement Date at June 30,

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 7,773,000	\$ 6,710,000	\$ 7,554,000
11,146,000	9,782,000	10,874,000
15,577,000	31,556,000	(41,345,000)
79,087,000	6,881,000	(2,335,000)
(8,367,000)	(8,946,000)	(9,379,000)
105,216,000	45,983,000	(34,631,000)
313,932,000	267,949,000	302,580,000
\$ 419,148,000	\$ 313,932,000	\$ 267,949,000
\$ 419,148,000	\$ 313,932,000	\$ 267,949,000
\$ 0	\$ 0	\$ 0
\$ 1,437,361	\$ 671,363	\$ 529,175
0.00%	0.00%	0.00%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2022

	Year Ended June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Public Employee Retirement Plan</u>			
Actuarially determined contributions	\$ 21,244	\$ 138,428	\$ 235,682
Contributions in relation to the actuarially determined contributions	<u>(101,234)</u>	<u>(267,804)</u>	<u>(269,026)</u>
Contributions deficiency(excess)	<u>\$ (79,990)</u>	<u>\$ (129,376)</u>	<u>\$ (33,344)</u>
Covered employee payroll	\$ 4,165,484	\$ 3,771,884	\$ 3,789,096
Contributions as a percentage of covered employee payroll	0.51%	7.10%	7.10%
<u>Teacher Legacy Pension Plan</u>			
Contractually required contributions	\$ 531,616	\$ 507,433	\$ 561,191
Contributions in relation to the contractually required contributions	<u>(531,616)</u>	<u>(507,433)</u>	<u>(561,191)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 5,276,220	\$ 4,940,933	\$ 5,279,320
Contributions as a percentage of covered employee payroll	10.08%	10.27%	10.63%

See the accompanying independent accountants' audit report.

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
	\$ 241,940	\$ 267,355	\$ 260,806	\$ 247,646	\$ 228,544	\$ 229,464
	<u>(260,663)</u>	<u>(267,355)</u>	<u>(260,806)</u>	<u>(247,646)</u>	<u>(228,544)</u>	<u>(229,464)</u>
	<u>\$ (18,723)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 3,671,305	\$ 3,781,918	\$ 3,673,327	\$ 3,487,971	\$ 3,220,453	\$ 3,173,767
	7.10%	7.10%	7.10%	7.10%	7.10%	7.23%
	\$ 560,450	\$ 491,327	\$ 485,399	\$ 491,801	\$ 506,773	\$ 499,013
	<u>(560,450)</u>	<u>(491,327)</u>	<u>(485,399)</u>	<u>(491,801)</u>	<u>(506,773)</u>	<u>(499,013)</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 5,358,028	\$ 5,411,099	\$ 5,367,444	\$ 5,440,729	\$ 5,605,879	\$ 5,619,517
	10.46%	9.08%	9.04%	9.04%	9.04%	8.88%

CITY OF SWEETWATER, TENNESSEE

PENSION CONTRIBUTIONS

(continued)

June 30, 2022

	Year Ended June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Teacher Retirement Plan</u>			
Actuarially determined contributions	\$ 31,862	\$ 26,096	\$ 19,254
Contributions in relation to the actuarially determined contributions	<u>(31,862)</u>	<u>(26,096)</u>	<u>(19,254)</u>
Contributions deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 1,585,181	\$ 1,291,887	\$ 948,481
Contributions as a percentage of covered employee payroll	2.01%	2.02%	2.03%
<u>Utility Public Employee Retirement Plan</u>			
Contractually required contributions	\$ 263,903	\$ 302,655	\$ 343,259
Contributions in relation to the contractually required contributions	<u>(354,546)</u>	<u>(393,168)</u>	<u>(630,164)</u>
Contributions deficiency(excess)	<u>\$ (90,643)</u>	<u>\$ (90,513)</u>	<u>\$ (286,905)</u>
Covered employee payroll	\$ 1,651,079	\$ 1,718,347	\$ 1,715,962
Contributions as a percentage of covered employee payroll	21.47%	22.88%	36.72%

City of Sweetwater, Tennessee is required to contribute 4% of salaries for employees enrolled in the Teacher Retirement Plan. Contributions are allocated between the pension plan (2.01%) and the stabilization reserve trust (1.99%).

Year Ended June 30,				
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 14,825	\$ 10,717	\$ 19,767	\$ 5,797	\$ 2,726
<u>(14,825)</u>	<u>(26,286)</u>	<u>(19,767)</u>	<u>(9,263)</u>	<u>(4,362)</u>
<u>\$ 0</u>	<u>\$ (15,569)</u>	<u>\$ 0</u>	<u>\$ (3,466)</u>	<u>\$ (1,636)</u>
\$ 764,181	\$ 652,067	\$ 494,112	\$ 231,568	\$ 109,054
1.94%	1.64%	4.00%	4.00%	4.00%
\$ 357,081	\$ 408,049	\$ 472,742	\$ 503,303	\$ 370,464
<u>(782,078)</u>	<u>(511,997)</u>	<u>(1,071,730)</u>	<u>(1,379,585)</u>	<u>(390,344)</u>
<u>\$ (424,997)</u>	<u>\$ (103,948)</u>	<u>\$ (598,988)</u>	<u>\$ (876,282)</u>	<u>\$ (19,880)</u>
\$ 1,729,267	\$ 1,669,868	\$ 1,970,574	\$ 1,967,078	\$ 1,995,740
45.23%	30.66%	54.39%	70.13%	19.56%

CITY OF SWEETWATER, TENNESSEE

NOTES TO PENSION CONTRIBUTIONS

June 30, 2022

Public Employee Retirement Plan

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2022 were calculated based on the June 30, 2020 actuarial valuation.

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

Changes of Assumptions

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

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

NOTES TO PENSION CONTRIBUTIONS

(continued)

June 30, 2022

Utility Public Employee Retirement Plan

Valuation Date - Actuarially determined contribution rates for the year ended June 30, 2022 were calculated based on the January 1, 2022 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	10 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-2021 mortality improvements

CITY OF SWEETWATER, TENNESSEE

OPEB CONTRIBUTIONS

June 30, 2022

	Year Ended June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Utility Employee OPEB Plan</u>			
Actuarially determined contributions	\$ (20,366)	\$ 7,996	\$ (10,921)
Contributions in relation to the actuarially determined contributions	<u>25</u>	<u>0</u>	<u>0</u>
Contributions deficiency(excess)	<u>\$ (20,341)</u>	<u>\$ (7,996)</u>	<u>\$ (10,921)</u>
Covered employee payroll	\$ 3,137,956	\$ 3,079,593	\$ 2,846,863
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

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

Year Ended June 30,		
<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ (10,730)	\$ 38,762	\$ 1,680
<u>0</u>	<u>0</u>	<u>(36,000)</u>
<u>\$ (10,730)</u>	<u>\$ 38,762</u>	<u>\$ (34,320)</u>
\$ 2,791,042	\$ 2,683,606	\$ 2,593,392
0.00%	0.00%	1.39%

Valuation Date – The Actuarially Determined Contribution shown for the current year is based on the beginning of year Normal Cost and the payments towards unfunded liability as of June 30, 2022. The payment towards the unfunded liability is set up as a level dollar payment over 15 future years.

SUPPLEMENTARY INFORMATION

CITY OF SWEETWATER, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Library Fund</u>
ASSETS			
Cash and temporary investments	<u>\$ 4,386</u>	<u>\$ 152,256</u>	<u>\$ 49,316</u>
LIABILITIES			
Accounts payable	\$ 0	\$ 0	\$ 200
FUND BALANCES			
Assigned	0	0	49,116
Restricted	<u>4,386</u>	<u>152,256</u>	<u>0</u>
	<u>4,386</u>	<u>152,256</u>	<u>49,116</u>
TOTAL			
LIABILITIES AND			
FUND BALANCES			
	<u>\$ 4,386</u>	<u>\$ 152,256</u>	<u>\$ 49,316</u>

See the accompanying independent accountants' audit report.

<u>Internal School Funds</u>	<u>Tourism Fund</u>	<u>Totals</u>
<u>\$ 117,091</u>	<u>\$ 67,382</u>	<u>\$ 390,431</u>
\$ 2,100	\$ 0	\$ 2,300
0	0	49,116
<u>114,991</u>	<u>67,382</u>	<u>339,015</u>
<u>114,991</u>	<u>67,382</u>	<u>388,133</u>
<u>\$ 117,091</u>	<u>\$ 67,382</u>	<u>\$ 390,431</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	Home Grant Fund	Economic Development Fund	Library Fund
REVENUE			
Daily collections	\$ 0	\$ 0	\$ 5,698
Contributions	0	0	68,063
Occupancy tax	0	0	0
Grants	25,408	0	0
Internal school revenue	0	0	0
Interest	0	96	0
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	25,408	96	73,761
EXPENDITURES			
Personnel	0	0	132,184
OASDI	0	0	10,112
Unemployment insurance	0	0	138
Buildings and grounds	0	0	6,857
Telephone	0	0	1,846
Utilities	0	0	10,227
Supplies	0	0	7,664
Programs	0	0	14,362
Books	0	0	21,091
Data processing services	0	0	1,226
Professional services	0	0	355
Facilities	21,023	0	0
Subscription and dues	0	0	0
Internal School expense	0	0	0
Travel, training and development	0	0	1,295
	<hr/>	<hr/>	<hr/>

See the accompanying independent accountants' audit report.

<u>Internal School Funds</u>	<u>Tourism Fund</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 5,698
0	7,417	75,480
0	101,311	101,311
0	0	25,408
186,701	0	186,701
<u>0</u>	<u>0</u>	<u>96</u>
186,701	108,728	394,694
0	0	132,184
0	0	10,112
0	0	138
0	0	6,857
0	0	1,846
0	0	10,227
0	6,339	14,003
0	0	14,362
0	0	21,091
0	0	1,226
0	0	355
0	0	21,023
0	12,607	12,607
183,571	0	183,571
<u>0</u>	<u>46,067</u>	<u>47,362</u>

CITY OF SWEETWATER, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Home Grant Fund</u>	<u>Economic Development Fund</u>	<u>Library Fund</u>
TOTAL EXPENDITURES	<u>21,023</u>	<u>0</u>	<u>207,357</u>
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	4,386	96	(133,596)
OTHER FINANCING SOURCES(USES)			
Transfer to general fund	0	0	0
Transfer from general fund	<u>0</u>	<u>0</u>	<u>134,000</u>
	<u>0</u>	<u>0</u>	<u>134,000</u>
NET CHANGE IN FUND BALANCES	4,386	96	404
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>152,160</u>	<u>48,711</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 4,386</u>	<u>\$ 152,256</u>	<u>\$ 49,116</u>

<u>Internal School Funds</u>	<u>Tourism Fund</u>	<u>Totals</u>
<u>183,571</u>	<u>65,012</u>	<u>476,963</u>
3,130	43,715	(82,269)
0	(30,000)	(30,000)
<u>0</u>	<u>0</u>	<u>134,000</u>
<u>0</u>	<u>(30,000)</u>	<u>104,000</u>
3,130	13,715	21,731
<u>111,861</u>	<u>53,667</u>	<u>366,402</u>
<u>\$ 114,991</u>	<u>\$ 67,382</u>	<u>\$ 388,133</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Home Grant	\$ 150,000	\$ 150,000	\$ 25,408	\$ (124,592)
EXPENDITURES				
Home rehabilitation	<u>150,000</u>	<u>150,000</u>	<u>21,023</u>	<u>(128,977)</u>
NET CHANGE IN FUND BALANCE	0	0	4,386	4,386
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,386</u>	<u>\$ 4,386</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, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Other income	\$ 100	\$ 100	\$ 96	\$ (4)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>152,160</u>	<u>152,160</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 152,256</u>	<u>\$ 152,156</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, 2022

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Daily collections	\$ 9,040	\$ 9,040	\$ 5,698	\$ (3,342)
Contributions	<u>65,310</u>	<u>65,310</u>	<u>68,063</u>	<u>2,753</u>
TOTAL REVENUE	74,350	74,350	73,761	(589)
EXPENDITURES				
Personnel	133,685	133,685	132,184	(1,501)
OASDI	10,227	10,227	10,112	(115)
Unemployment insurance	1,338	1,338	138	(1,200)
Buildings and grounds	13,000	13,000	6,857	(6,143)
Telephone	2,700	2,700	1,846	(854)
Utilities	11,000	11,000	10,227	(773)
Supplies	4,500	4,500	7,664	3,164
Programs	9,400	9,400	14,362	4,962
Books	18,300	18,300	21,091	2,791
Data processing services	1,900	1,900	1,226	(674)
Professional services	400	400	355	(45)
Travel, training and development	<u>1,900</u>	<u>1,900</u>	<u>1,295</u>	<u>(605)</u>
TOTAL EXPENDITURES	<u>208,350</u>	<u>208,350</u>	<u>207,357</u>	<u>(993)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES				
	(134,000)	(134,000)	(133,596)	404

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, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
Transfer from general fund	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	0	0	404	404
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>48,711</u>	<u>48,711</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49,116</u>	<u>\$ 49,116</u>

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Occupancy tax	\$ 70,000	\$ 101,000	\$ 101,311	\$ 311
Contribution	0	7,400	7,417	17
TOTAL REVENUE	70,000	108,400	108,728	328
EXPENDITURES				
Subscription and dues	7,000	7,000	12,607	5,607
Training and travel	20,000	54,000	46,067	(7,933)
Operating supplies	5,000	5,000	6,339	1,339
TOTAL EXPENDITURES	32,000	66,000	65,012	(988)
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	38,000	42,400	43,715	1,315
OTHER FINANCING SOURCES(USES)				
Transfer to general fund	(30,000)	(30,000)	(30,000)	0
NET CHANGE IN FUND BALANCE	8,000	12,400	13,715	1,315
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	0	53,667	53,667
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 8,000</u>	<u>\$ 12,400</u>	<u>\$ 67,382</u>	<u>\$ 54,982</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

INVESTMENTS

June 30, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General fund:</u>			
Certificate of deposit	0.20 %	05/20/23	\$ <u>100,223</u>
<u>Electric fund:</u>			
Certificate of deposit	0.35	10/20/22	\$ 100,000
Certificate of deposit	0.40	11/11/22	<u>445,000</u>
			<u>\$ 545,000</u>
<u>Natural gas fund:</u>			
Certificate of deposit	0.30	07/23/22	\$ 300,000
Certificate of deposit	0.35	07/25/22	300,000
Certificate of deposit	0.35	08/13/22	300,000
Certificate of deposit	0.35	08/20/22	550,000
Certificate of deposit	0.35	09/23/22	250,000
Certificate of deposit	0.32	12/10/22	<u>100,000</u>
			<u>\$ 1,800,000</u>
<u>Water and sewer fund:</u>			
Certificate of deposit	0.35	08/20/22	\$ 400,000
Certificate of deposit	0.35	10/20/22	150,000
Certificate of deposit	0.40	11/11/22	<u>55,000</u>
			<u>\$ 605,000</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2022

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2021</u>
2022	\$ 1.38	\$ 148,631,511	\$ 2,051,146	\$ 0
2021	1.38	147,413,789	2,034,357	2,024,755
2020	1.38	146,624,793	2,024,755	115,137
2019	1.38	145,149,987	1,999,500	45,143
2018	1.38	142,825,716	1,967,415	37,033
2017	1.20	133,972,055	1,607,821	52,826
2016	1.20	133,812,053	1,605,159	74,522
2015	1.20	133,670,850	1,604,180	62,808
2014	1.20	134,015,090	1,598,712	49,754
2013	1.46	129,476,478	1,894,032	59,949
2012	1.14	132,053,858	1,503,425	<u>46,723</u>
				<u>\$ 2,568,650</u>

Property taxes unpaid for 2012 through 2020 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, 2022</u>
\$ 2,051,146	\$ 0	\$ 0	\$ 2,051,146
0	(35,886)	1,905,468	83,401
0	0	75,471	39,666
0	0	23,795	21,348
0	0	18,983	18,050
0	0	1,237	51,589
0	0	12,727	61,795
0	0	364	62,444
0	0	266	49,488
0	0	571	59,378
<u>0</u>	<u>(46,723)</u>	<u>0</u>	<u>0</u>
<u>\$ 2,051,146</u>	<u>\$ (82,612)</u>	<u>\$ 2,038,882</u>	<u>\$ 2,498,305</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Tennessee Municipal Bond, Series 2001			
Year Ending <u>June 30:</u>			
2023	\$ 260,000	\$ 16,704	\$ 276,704
2024	268,000	14,832	282,832
2025	276,000	12,902	288,902
2026	285,000	10,915	295,915
2027	294,000	8,863	302,863
2028	303,000	6,746	309,746
2029	312,000	4,565	316,565
2030	<u>322,000</u>	<u>2,318</u>	<u>324,318</u>
	<u>\$ 2,320,000</u>	<u>\$ 77,846</u>	<u>\$ 2,397,846</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond, Series 2016			
Year Ending			
<u>June 30:</u>			
2023	\$ 77,400	\$ 24,410	\$ 101,810
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>\$ 776,200</u>	<u>\$ 117,587</u>	<u>\$ 893,787</u>

Tennessee Municipal Bond, Series 2020

Year Ending			
<u>June 30:</u>			
2023	\$ 68,000	\$ 10,076	\$ 78,076
2024	70,000	7,128	77,128
2025	71,000	5,605	76,605
2026	73,000	4,050	77,050
2027	75,000	2,452	77,452
2028	76,000	821	76,821
	<u>\$ 433,000</u>	<u>\$ 30,132</u>	<u>\$ 463,132</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority			
Year Ending			
<u>June 30:</u>			
2023	\$ 98,112	\$ 14,904	\$ 113,016
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	76,741	924	77,665
	<u>\$ 695,917</u>	<u>\$ 50,124</u>	<u>\$ 746,041</u>
Capital Outlay			
Year Ending			
<u>June 30:</u>			
2023	\$ 46,300	\$ 4,070	\$ 50,370
2024	47,300	3,024	50,324
2025	48,200	2,036	50,236
2026	49,200	1,028	50,228
	<u>\$ 191,000</u>	<u>\$ 10,158</u>	<u>\$ 201,158</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Municipal Bond, Series 2017			
<u>Year Ending</u>			
<u>June 30:</u>			
2023	\$ 90,000	\$ 21,924	\$ 111,924
2024	91,000	20,969	111,969
2025	93,000	19,992	112,992
2026	95,000	18,995	113,995
2027	97,000	17,976	114,976
2028	99,000	16,937	115,937
2029	101,000	15,876	116,876
2030	103,000	14,795	117,795
2031	105,000	13,692	118,692
2032	107,000	12,569	119,569
2033	109,000	11,424	120,424
2034	111,000	10,259	121,259
2035	114,000	9,062	123,062
2036	116,000	7,844	123,844
2037	118,000	6,605	124,605
2038	121,000	5,334	126,334
2039	123,000	4,043	127,043
2040	126,000	2,720	128,720
2041	128,000	1,376	129,376
2042	131,000	688	131,688
	<u>\$ 2,178,000</u>	<u>\$ 233,080</u>	<u>\$ 2,411,080</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Adjustable rate note through PBA of Montgomery County, Tennessee			
Year Ending <u>June 30:</u>			
2023	\$ 463,000	\$ 5,814	\$ 468,814
2024	482,000	3,119	485,119
2025	<u>96,000</u>	<u>510</u>	<u>96,510</u>
	<u>\$ 1,041,000</u>	<u>\$ 9,443</u>	<u>\$ 1,050,443</u>

Interest is estimated based on the rate at June 30, 2022 of 0.72%

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Interdepartmental Loan - Gas Department			
Year Ending <u>June 30:</u>			
2023	\$ 47,350	\$ 12,872	\$ 60,222
2024	48,065	12,157	60,222
2025	48,791	11,431	60,222
2026	49,528	10,694	60,222
2027	50,276	9,946	60,222
2028	51,035	9,187	60,222
2029	51,806	8,416	60,222
2030	52,589	7,633	60,222
2031	53,383	6,839	60,222
2032	54,189	6,033	60,222
2033	55,008	5,214	60,222
2034	55,839	4,383	60,222
2035	56,682	3,540	60,222
2036	57,538	2,684	60,222
2037	58,407	1,815	60,222
2038	59,289	933	60,222
2039	34,948	129	35,077
	<u>\$ 884,723</u>	<u>\$ 113,906</u>	<u>\$ 998,629</u>

Interest is estimated based on the rate at June 30, 2022 of 0.72%

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan SRF 2003-170			
Year Ending			
<u>June 30:</u>			
2023	\$ 37,824	\$ 3,324	\$ 41,148
2024	38,640	2,508	41,148
2025	39,468	1,680	41,148
2026	40,320	828	41,148
2027	<u>17,050</u>	<u>49</u>	<u>17,099</u>
	<u>\$ 173,302</u>	<u>\$ 8,389</u>	<u>\$ 181,691</u>

State Revolving Loan SRF 07-177

Year Ending			
<u>June 30:</u>			
2023	\$ 67,680	\$ 7,956	\$ 75,636
2024	69,360	6,276	75,636
2025	71,076	4,560	75,636
2026	72,840	2,796	75,636
2027	<u>74,759</u>	<u>823</u>	<u>75,582</u>
	<u>\$ 355,715</u>	<u>\$ 22,411</u>	<u>\$ 378,126</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Tennessee Local Development Authority Loan			
Year Ending <u>June 30:</u>			
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>\$ 2,710,000</u>	<u>\$ 263,161</u>	<u>\$ 2,973,161</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan DG3 14-148			
<u>Year Ending</u>			
<u>June 30:</u>			
2023	\$ 88,392	\$ 12,672	\$ 101,064
2024	89,268	11,796	101,064
2025	90,156	10,908	101,064
2026	91,056	10,008	101,064
2027	91,956	9,108	101,064
2028	92,868	8,196	101,064
2029	93,792	7,272	101,064
2030	94,728	6,336	101,064
2031	95,676	5,388	101,064
2032	96,624	4,440	101,064
2033	97,584	3,480	101,064
2034	98,556	2,508	101,064
2035	99,540	1,524	101,064
2036	100,464	536	101,000
	<u>\$ 1,320,660</u>	<u>\$ 94,172</u>	<u>\$ 1,414,832</u>

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

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

CITY OF SWEETWATER, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017 Water and Sewer Revenue Tax Bonds (continued)			
Year Ending <u>June 30:</u>			
2044	38,895	18,561	57,456
2045	39,928	17,528	57,456
2046	40,989	16,467	57,456
2047	42,078	15,378	57,456
2048	43,196	14,260	57,456
2049	44,343	13,113	57,456
2050	45,521	11,935	57,456
2051	46,731	10,725	57,456
2052	47,972	9,484	57,456
2053	49,247	8,209	57,456
2054	50,555	6,901	57,456
2055	51,899	5,557	57,456
2056	53,277	4,179	57,456
2057	54,693	2,763	57,456
2058	56,146	1,310	57,456
2059	19,370	108	19,478
	<u>\$ 1,344,715</u>	<u>\$ 743,179</u>	<u>\$ 2,087,894</u>

CITY OF SWEETWATER, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
Governmental Activities:			
<u>Bonds Payable</u>			
Tennessee Municipal Bond, Series 2001	\$ 6,000,000	0.570%	1/28/2002
Tennessee Municipal Bond, Series 2016	1,200,000	2.860	6/20/2016
Tennessee Municipal Bond, Series 2020	500,000	2.160	6/20/2021
Tennessee Municipal Bond, Series 2017	2,600,000	1.050	4/20/2017
<u>Notes Payable</u>			
Tennessee Local Development Authority Capital Outlay Note	1,829,399 191,000	2.000 2.090	3/23/2009 1/24/2022
Business-Type Activities:			
<u>Notes Payable</u>			
State Revolving Loan SRF 2003-170	\$ 1,000,000	2.130%	2/24/2004
State Revolving Loan SRF 07-177	1,200,000	2.450	7/14/2004
State Revolving Loan DG3 14-148	1,833,000	0.990	7/1/2014
2017 Water and Sewer Revenue Tax Bonds	1,400,000	2.625	11/2/2019
Tennessee Local Development Authority Loan	6,500,000	2.510	4/5/2010
Adjustable rate note through PBA of Montgomery County, Tennessee	7,000,000	0.220	10/19/2005
Interdepartment Loan - Gas Department	1,040,000	1.250	11/1/2018

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2021</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2022</u>
5/25/2030	\$ 2,572,000	\$ 0	\$ 252,000	\$ 0	\$ 2,320,000
5/1/2031	850,900	0	74,700	0	776,200
5/1/2028	500,000	0	67,000	0	433,000
5/25/2042	2,266,000	0	88,000	0	2,178,000
2/28/2029	792,085	0	96,168	0	695,917
2/1/2026	<u>0</u>	<u>191,000</u>	<u>0</u>	<u>0</u>	<u>191,000</u>
	<u>\$ 6,980,985</u>	<u>\$ 191,000</u>	<u>\$ 577,868</u>	<u>\$ 0</u>	<u>\$ 6,594,117</u>
11/20/2026	\$ 210,329	\$ 0	\$ 37,027	\$ 0	\$ 173,302
6/20/2027	421,763	0	66,048	0	355,715
6/20/2036	1,408,179	0	87,519	0	1,320,660
11/12/2058	1,366,562	0	21,847	0	1,344,715
4/1/2029	3,046,000	0	336,000	0	2,710,000
5/1/2025	1,486,000	0	445,000	0	1,041,000
11/1/2038	<u>931,143</u>	<u>0</u>	<u>46,420</u>	<u>0</u>	<u>884,723</u>
	<u>\$ 8,869,977</u>	<u>\$ 0</u>	<u>\$ 1,039,861</u>	<u>\$ 0</u>	<u>\$ 7,830,115</u>

CITY OF SWEETWATER, TENNESSEE

OPERATIONS EXPENSES - PROPRIETARY FUNDS

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Purchased power/gas/water	\$ 19,746,005	\$ 1,845,396	\$ 203,143	\$ 21,794,544
Other operations expenses:				
Distribution expenses:				
Operating supervision	93,260	6,357	33,826	133,443
Operating labor	0	0	495,333	495,333
Transmission, distribution lines and load dispatching	0	985	103,584	104,569
Mains and services	0	185,306	0	185,306
Overhead line	120,010	0	0	120,010
Street lighting and signal system	5,590	0	0	5,590
Meter expense and house regulator	82,862	40,615	0	123,477
Chemicals	0	0	106,263	106,263
Pre-treatment testing	0	0	4,591	4,591
Customer installations	30,813	0	0	30,813
Purchased power and gas	0	0	174,683	174,683
Miscellaneous distribution expense	28,653	0	177,153	205,806
Rents	<u>14,314</u>	<u>0</u>	<u>0</u>	<u>14,314</u>
	375,502	233,263	1,095,433	1,704,198
Customer accounts expenses:				
Supervision	25,711	7,629	0	33,340
Meter reading	54,334	21,880	47,064	123,278
Customer records and collection	<u>338,506</u>	<u>71,115</u>	<u>136,135</u>	<u>545,756</u>
	418,551	100,624	183,199	702,374

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

OPERATIONS EXPENSES - PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Customer service expenses:				
Customer assistance	29,202	17,267	0	46,469
Administrative and general expenses:				
Salaries	192,896	70,496	101,858	365,250
Office supplies	91,702	11,144	29,368	132,214
Outside services	31,801	8,610	13,378	53,789
Property insurance	22,115	3,645	13,746	39,506
Injuries and damages insurance	69,742	9,361	47,662	126,765
Employees' pension and postemployment benefits	673,423	100,104	232,817	1,006,344
General advertising	0	1,960	0	1,960
Miscellaneous general	47,236	13,461	41,830	102,527
Industrial development	15,654	0	0	15,654
	<u>1,144,569</u>	<u>218,781</u>	<u>480,659</u>	<u>1,844,009</u>
Taxes:				
Payroll	<u>119,578</u>	<u>19,332</u>	<u>52,568</u>	<u>191,478</u>
Total other operations expenses	<u>2,087,402</u>	<u>589,267</u>	<u>1,811,859</u>	<u>4,488,528</u>
TOTAL OPERATIONS EXPENSES	<u>\$ 21,833,407</u>	<u>\$ 2,434,663</u>	<u>\$ 2,015,002</u>	<u>\$ 26,283,072</u>

CITY OF SWEETWATER, TENNESSEE

DISTRIBUTION AND MAINTENANCE EXPENSES - PROPRIETARY FUNDS

Year Ended June 30, 2022

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Distribution expenses:				
Supervision	\$ 44,944	\$ 0	\$ 0	\$ 44,944
Station	21,191	0	0	21,191
Overhead and underground lines	1,277,482	0	0	1,277,482
Line transformers	14,336	0	0	14,336
Street lighting and signal system	12,015	0	0	12,015
Meters	13,009	0	0	13,009
	<u>1,382,977</u>	<u>0</u>	<u>0</u>	<u>1,382,977</u>
Maintenance expenses:				
Pumping equipment	0	0	16,894	16,894
Structures and improvements	0	5,360	35,389	40,749
Treatment equipment	0	0	11,407	11,407
Transmission and distribution mains	0	0	147,492	147,492
Mains	0	23,085	0	23,085
Measuring and regulating station equipment	0	1,123	0	1,123
Services	0	148	59,206	59,354
Supervision and engineering	0	6,357	0	6,357
Meters and house regulators	0	10,347	14,376	24,723
Fire mains and hydrants	0	0	13,798	13,798
Lift station	0	0	23,606	23,606
General plant	41,603	1,073	15,974	58,650
Sewer plant	0	0	1,692	1,692
	<u>41,603</u>	<u>47,493</u>	<u>339,834</u>	<u>428,930</u>
TOTAL DISTRIBUTION AND MAINTENANCE EXPENSES	<u>\$ 1,424,580</u>	<u>\$ 47,493</u>	<u>\$ 339,834</u>	<u>\$ 1,811,907</u>

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

Year Ended June 30, 2022

Governmental Activities:

<u>Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
Child Nutrition Cluster:			
U.S. Department of Agriculture/ Tennessee Department of Education	10.555	N/A	\$ 950,477
U.S. Department of Agriculture/ Tennessee Department of Education	10.553	N/A	<u>293,200</u>
Total Child Nutrition Cluster			1,243,677
Special Education Cluster:			
U.S. Department of Education	84.027	N/A	415,372
U.S. Department of Education	84.173	N/A	<u>19,471</u>
Total Special Education Cluster			434,843
U.S. Department of Education	84.010	N/A	377,652
U.S. Department of Education	84.367A	N/A	39,599
U.S. Department of Education	84.365AA	N/A	8,115
U.S. Department of Education	84.424A	N/A	18,000

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2022

<u>Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
COVID-19 Education Stabilization Fund:			
U.S. Department of Education/ TN Department of Education	84.425C	N/A	850,333
U.S. Department of Education TN Department of Education	84.425D	N/A	1,453,930
U.S. Department of Education/ TN Department of Education	84.425	N/A	<u>40,000</u>
Total COVID-19 Education Stabilization Fund			2,344,263
U.S. Department of Health and Human Services	93.323	N/A	102,072
U.S. Department of Housing and Urban Development/TN Department of Economic and Community Development	14.228	12078	25,408
U.S. Department of Homeland Security	97.044	EMW-2020-FG-2474	2,857
U.S. Department of Homeland Security	97.044	EMW-2019-FG-2109	4,927
U.S. Department of Transportation/ TN Department of Transportation	20.607	Z22THS273	3,452

CITY OF SWEETWATER, TENNESSEE

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

(continued)

June 30, 2022

<u>Grantor Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Highway Planning and Construction Cluster: U.S. Department Transportation/TN Department of Transportation	20.205	STP-M-9118(11)	3,571
U.S. Department of Treasury/	21.019	N/A	<u>140,000</u>
Total Federal Awards			4,748,436
<u>State Financial Assistance</u>			
Tennessee Department of Education	N/A	N/A	429,575
Tennessee Department of Transportation	N/A	62LPLM-S3-05	4,694
Tennessee Department of Tourist Development	N/A	N/A	3,782
Tennessee Department of Finance and Administration	N/A	N/A	<u>79,496</u>
Total State Financial Assistance			<u>517,547</u>
Total Federal Awards and State Financial Assistance			<u>\$ 5,265,983</u>

CITY OF SWEETWATER, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

June 30, 2022

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, 2022. The schedule is presented using the full accrual basis of accounting. Because this schedule presents only a portion of the operations of City of Sweetwater, Tennessee, it is not intended and does not present the net position or changes in net position of City of Sweetwater, Tennessee.

NOTE 2 – OUTSTANDING LOAN BALANCE

City of Sweetwater, Tennessee had no outstanding federal loan balances at June 30, 2022. The Sweetwater Utilities Board Water and Sewer Department expended funds for the construction of Water and Sewer system improvements for which the Rural Development Administration (RDA) has committed to provide permanent financing. The outstanding loan balance at June 30, 2022 was \$1,344,715 related to the Water and Waste Disposal Systems for Rural Communities program (Assistance Listing Number 10.760).

NOTE 3 – INDIRECT COST RATE

City of Sweetwater, Tennessee and the Sweetwater Utilities Board Water and Sewer Department have elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

CITY OF SWEETWATER, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2022

<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:	
Kenzie Lovingood	School Board Chairman
Patrick Gaines	School Board Vice-Chairman
John Fox	School Board Member
Jon Campbell	School Board Member
Christy McCosh	School Board Member
Lamar Hughes	City Council Representative
Rodney Boruff	Director of Schools
Angie Kyle	Principal, Brown Elementary School
Alice Tyler	Principal, Sweetwater Elementary School
Nikki Nile	Principal, Sweetwater Junior High School
Katrina Gravitte	Principal, Sweetwater Primary School
Utility:	
Terry Knight	Utility Board Chairman
Phil Hall	Utility Board Vice-Chairman
Bill Stockton	Utility Board Secretary/Treasurer
L.D Moree, Jr.	Utility Director
Dick Collette	Utility Director
Eric Hicks	Utility Manager
Jami Kiger, CPA	Chief Financial Officer
Jan Broyles	Accounting Manager

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND

June 30, 2022

Residential:

Base charges:

Customer charge per month	\$ 23.42
Energy charge (cents per kilowatt-hour)	9.231

Commercial, industrial, governmental and institutional customers:

Base charges:

1. Customer's billing demand for the month or its contract demand is less than 50 kilowatts:	
Customer charge per delivery point per month – Single Phase	\$ 25.02
Customer charge per delivery point per month – Three Phase	34.43
Energy charge (cents per kilowatt-hour)	10.614
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)	10.823
Energy charge for additional kilowatt-hours per month (cents per kilowatt-hour)	6.517
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)	6.551

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
ELECTRIC FUND

(continued)

June 30, 2022

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	.05882
On peak, under 5,000 kilowatts	.05732
Off peak-first 200 HUD (over 5,000 kilowatts)	.05224
Off peak-first 200 HUD (under 5,000 kilowatts)	.05732
Off peak-next 200 HUD	.02678
Off peak-additional HUD	.02423

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, 2022

Outdoor lighting:	
Customer charge: traffic signals and athletic field lighting per delivery point per month	\$ 7.60
Energy charge (cents per kilowatt-hour)	7.73
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	7,359
General power-under 50 kilowatts	1,951
General power-50 kilowatts and over	113
Street and athletic	<u>92</u>
	9,515
Outdoor lighting	2,439

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
NATURAL GAS FUND

June 30, 2022

General:

Minimum bill (excluding gas charge)	\$ 7.00
All 100 cubic feet (per 100 cubic feet)	1.23

Schools:

Minimum bill (excluding gas charge)	\$ 7.00
All 100 cubic feet (per 100 cubic feet)	1.21

NUMBER OF METERED CUSTOMERS

Residential	1,260
Commercial	286
Industrial	20
Schools	<u>21</u>
	1,587

See the accompanying independent accountants' audit report.

CITY OF SWEETWATER, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
WATER AND SEWER FUND

June 30, 2022

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	4,196	1,982
Commercial	591	388
Industrial	<u>17</u>	<u>15</u>
	4,804	2,385

See the accompanying independent accountants' audit report.

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, 2022, 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 January 10, 2023. Our report includes a reference to other auditors who audited the financial statements of the electric fund, natural gas fund and water and sewer fund, as described in our report on City of Sweetwater, Tennessee's financial statements. This reports does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sweetwater, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

City of Sweetwater, Tennessee's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on City of Sweetwater, Tennessee's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Sweetwater, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



January 10, 2023

CITY OF SWEETWATER, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2022

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

Opinion on Each Major Federal Program

We have audited City of Sweetwater, Tennessee's compliance requirements identified as subject to audit 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, 2022. City of Sweetwater, Tennessee's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Sweetwater, Tennessee and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Sweetwater, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contracts or grant agreements applicable to City of Sweetwater, Tennessee's federal programs..

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Sweetwater, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Sweetwater, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Sweetwater, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Sweetwater, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Sweetwater, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

January 10, 2023

CITY OF SWEETWATER, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

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

<u>Program Name</u>	<u>Assistance Listing Number.</u>
Education Stabilization Fund	84.425

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.

CITY OF SWEETWATER, TENNESSEE

FINDINGS AND QUESTIONED COSTS

(continued)

Year Ended June 30, 2022

FINANCIAL STATEMENT FINDING

Finding Number 2022-001 – Budget Overspending

Condition: The school cafeteria fund did not include an adequate budget appropriation for total expenses. Total expenses exceeded appropriations by \$129,869.

Cause: Adequate budget appropriations were not made for total expenses in the school cafeteria fund.

Criteria: Sound internal controls include ensuring that public funds may not be spent until a governing body has appropriated them in accordance with Tennessee Code Annotated Section 9-1-116.

Effect or potential effect: Inadequate appropriations for total expenses in each fund could result in inadequate revenue appropriations and a negative change in net assets or a potential net asset deficit.

Recommendation: Management should ensure adequate appropriations are made for total expenses in each fund. Budget amendments should be made to account for any unexpected expenses for which there are not adequate appropriations.

Management Response: We concur. Management and the Board will ensure adequate appropriations are made in the future.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Sweetwater City Schools

P.O. BOX 231 • SWEETWATER, TENNESSEE 37874

MANAGEMENT'S CORRECTIVE ACTION PLAN

City of Sweetwater, Tennessee submits the following corrective action plan for the year ended June 30, 2022. The findings from the June 30, 2022 schedule of findings, recommendations and management responses are discussed below.

No. 2022-001: Significant Deficiency – Budget Overspending

Recommendation: Management should ensure adequate appropriations are made for total expenses in each fund. Budget amendments should be made to account for any unexpected expenses for which there are not adequate appropriations.

Action Taken: We concur. Management and the Board will ensure adequate appropriations are made in the future.

Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to City of Sweetwater, Tennessee.

Janet Collins, Finance Director
Sweetwater City Schools
220 S. Clark Street
Sweetwater, TN 37874
Telephone 423-337-7051
janet.collins@scstn.net

Signature: _____

Title: _____

Janet Collins
Finance Director