

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P – “AA”
(See “MISCELLANEOUS-Rating” herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)

\$5,965,000
CITY OF LENOIR CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2020

Dated: January 29, 2020

Due: June 1, as shown below.

The \$5,965,000 General Obligation Refunding Bonds, Series 2020 (the “Bonds”) issued by the City of Lenoir City (the “City”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2020 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. See section entitled “SECURITIES OFFERED – Security”. See section entitled “SECURITIES OFFERED – Security”.

The Bonds are not subject to optional redemption prior to maturity.

<u>Due</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2021	\$ 500,000	4.00 %	0.98 %	526120HY9	2026	\$ 605,000	4.00 %	1.17 %	526120JD3
2022	515,000	4.00	0.99	526120HZ6	2027	630,000	4.00	1.24	526120JE1
2023	535,000	4.00	1.01	526120JA9	2028	655,000	4.00	1.31	526120JF8
2024	560,000	4.00	1.05	526120JB7	2029	680,000	4.00	1.39	526120JG6
2025	580,000	4.00	1.08	526120JC5	2030	705,000	4.00	1.46	523120JH4

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the City by Gregory H. Harrison, Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about January 29, 2020.

Cumberland Securities Company, Inc.
Municipal Advisor

January 8, 2020

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF LENOIR CITY, TENNESSEE

OFFICIALS

Honorable Tony R. Aikens	<i>Mayor</i>
James W. Wilburn III	<i>City Recorder-Treasurer</i>
Amber Scott-Kelso	<i>City Administrator</i>
Amanda Smith	<i>Chief Deputy Court Clerk</i>
Gregory Harrison	<i>City Attorney</i>
Maggie Hunt	<i>Finance Director</i>

ALDERMEN

Jennifer Wampler, Vice Mayor

James Brandon

Douglas “Buddy” Hines

Bobby Johnson, Sr.

Jim Shields

Eddie Simpson

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

UNDERWRITER

BOK Financial Securities, Inc
Milwaukee, Wisconsin

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer	City of Lenoir City, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered	\$5,965,000 General Obligation Refunding Bonds, Series 2020 (the “Bonds”) of the City, dated January 29, 2020. The Bonds mature each June 1 beginning June 1, 2021 through June 1, 2030, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the indebtedness described herein.
Optional Redemption	The Bonds are not subject to optional redemption prior to maturity.
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Rating	S&P: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor	Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS- Municipal Advisor; Related parties; Other” herein.
Underwriter	BOK Financial Securities, Inc., Milwaukee, Wisconsin.
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Book-Entry Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”
Registration Agent	Regions Bank, Nashville, Tennessee.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, <i>Tennessee Code Annotated</i> , as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers

and delivered through the facilities of The Depository Trust Company, New York, New York.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City or this *Official Statement*, contact Tony Aikens, Mayor, 530 Hwy 321 North, Lenoir City, Tennessee 37771, Telephone: (865) 986-2715; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances (In Thousands)
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Fund Balance	\$2,555,542	\$3,131,810	\$3,879,464	\$4,842,461	\$4,779,308
Revenues	6,651,275	6,778,806	6,805,813	7,419,855	8,017,077
Expenditures	8,711,166	8,802,348	8,722,465	9,699,044	11,490,951
Other Financing Sources:					
Transfers In	46,096	57,812	42,453	49,717	59,656
Transfers Out	(267,976)	(231,982)	(179,000)	(935,122)	(184,000)
Bond/Note Proceeds	-	-	-	-	-
Transfers In Lieu of	2,858,039	2,945,366	3,016,196	3,101,441	3,385,718
Adjustments	-	-	-	-	-
Ending Fund Balance	<u>\$3,131,810</u>	<u>\$3,879,464</u>	<u>\$4,842,461</u>	<u>\$4,779,308</u>	<u>\$4,566,808</u>

Source: Comprehensive Annual Financial Reports of the City of Lenoir City, Tennessee.

\$5,965,000
CITY OF LENOIR CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2020

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by City of Lenoir City, Tennessee (the “City”) of \$5,965,000 General Obligation Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the City Council on December 9, 2019 (the “Resolutions”).

The Bonds are being issued for the purpose of providing funds for (i) refinancing the Outstanding Bonds, as described herein; and (ii) the payment of legal, fiscal, administrative costs incident to the indebtedness described herein.

REFUNDING PLAN

The City is proposing to issue the Bonds to refund the City’s outstanding: (1) General Obligation Bonds, Series 2009, dated September 23, 2009 (the “Series 2009 Bonds”) maturing June 1, 2020 and thereafter and (2) General Obligation Bonds, Series 2010, dated October 27, 2010 (the “Series 2010 Bonds”) maturing June 1, 2020 and thereafter (collectively, the “Outstanding Bonds”). The Outstanding Bonds will be called for redemption on January 29, 2020.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Outstanding Bonds was submitted to the Director of the Office of State and Local Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from January 29, 2020. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2020. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the City to the payments of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds are not subject to optional redemption prior to maturity.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between

Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent or the Municipal Advisor will have

any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled “SECURITIES OFFERED – Redemption.”

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

- (a) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be transferred to the paying agent for the Outstanding Bonds to be held to the earliest optional redemption date and used for the payment and retirement of the Outstanding Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or
3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or obligations of any agency or instrumentally of the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee,

and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the

preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA”.

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of outstanding bonds obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on January 8, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated December 23, 2019.

The successful bidder for the Bonds was an account led by BOK Financial Securities, Inc., Milwaukee, Wisconsin (the “Underwriters”) who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$6,900,435.75 (consisting of the par amount of the Bonds, plus an original issue premium of \$956,483.65 and less an underwriter’s discount of \$21,047.90) or 115.682% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the “Municipal Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to

its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT, in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The City has not authorized any additional debt. However, the City has ongoing capital needs that may or may not require the issuance of additional debt. The City may also authorize the issuance of additional refundings of outstanding bonds as savings opportunities arise.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The

Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-8;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-9 and B-10;
3. Information about the Bonded Debt Service Requirements – General Obligation – Supported by Schools as of the end of such fiscal year as shown on page B-11;
4. Information about the Bonded Debt Service Requirements – City Supported Debt (Excludes Schools and Revenue Supported Debt) of the end of such fiscal year as shown on page B-12;
5. Information about the Bonded Debt Service Requirements – Water System Supported Debt (General Obligation Pledge) as of the end of such fiscal year as shown on page B-13;
6. Information about the Bonded Debt Service Requirements – Sewer System Supported Debt (General Obligation Pledge) as of the end of such fiscal year as shown on page B-14;
7. Information about the Bonded Debt Service Requirements – Gas System Supported Debt (General Obligation Pledge) as of the end of such fiscal year as shown on page B-15;
8. Information about the Bonded Debt Service Requirements – Electric System as of the end of such fiscal year as shown on page B-16;
9. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-17;
10. Information about the Five Year Summary of Revenues, Expenditures and Changes in Fund Balances – General Fund as shown on page B-18;
11. The estimated assessed value of the property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-24;
12. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-24; and
13. The ten largest taxpayers as shown on page B-25.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the City or related public entities, which have been submitted to the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in

the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

CERTIFICATION OF THE CITY

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Tony R. Aikens
Mayor

ATTEST:

/s/ James W. Wilburn, III
City Recorder

APPENDIX A

LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lenoir City, Tennessee (the "Issuer") of the \$5,965,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds") dated January 29, 2020. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Lenoir City (the “City”) is located in Loudon County (the “County”) in the southeastern portion of the State of Tennessee, approximately 25 miles south of Knoxville. The County is located in the Tennessee River Valley in the eastern part of the state. To the north, the County is bordered by Knox County and, to the east, by Blount County. Monroe and McMinn Counties make up the County’s southern border, and to the west, the County is bordered by Roane County. The Town of Loudon serves as the county seat and is located approximately 31 miles southwest of Knoxville. Other incorporated municipalities within the County are Greenback and Philadelphia.

GENERAL

The land area of Loudon County is approximately 229 square miles or 153,600 acres. The City is the trading center for a considerable area lying south of the Tennessee River from which comes beef, sheep, dairy products, tobacco, grains and fruits.

The County is part of the Knoxville Metropolitan Statistical Area (the “MSA”) that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the “CSA”). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. According to the 2010 US Census, Loudon County has a population of 48,556. The Town of Loudon had a US Census population of 5,381, and the City of Lenoir City is the largest city in the County with a 2010 Census population of 8,642.

TRANSPORTATION

Interstate Highways 75 and 40 traverse the County, as well as U.S. Highways 11 and 70 and State Highways 72, 95 and 321. Seven motor freight companies serve the County, and rail service is provided by the CSX and Norfolk-Southern Railroads. In addition, residents of the County have access to the full commercial and freight air services at McGhee Tyson Airport operated by the Metropolitan Knoxville Airport Authority and approximately 30 minutes away.

The Town of Loudon and the City of Lenoir City serve as port facilities on the Tennessee River. Fort Loudon Dam and hydroelectric station are seven miles upstream from Lenoir City. The Tellico Dam, another TVA project, lies approximately six miles from the Town of Loudon on the Little Tennessee River. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville,

Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south. The River borders Knox, Blount, Roane, Loudon, Meigs, Rhea, Marion, Hamilton, Hardin, Wayne, Decatur, Perry, Benton, Humphreys, Henry, Houston and Stewart Counties in the state.

EDUCATION

Lenoir City has a school system within the County with three schools. The *Lenoir City School System* has one high school, one middle school and one elementary school with a fall 2017 enrollment of 2,228 with 136 teachers. The *Loudon County School System* serves the County with nine schools, including five elementary schools, two middle schools, one senior high school and one K-12 school. The fall 2017 enrollment was 4,670 with 296 teachers. All of the County schools are fully accredited by the Southeastern Association of Colleges and Schools, with an average of over 50% of the teachers in the system possessing a Masters degree or higher.

Source: Tennessee Department of Education.

Roane State Community College Lenoir City Campus. Roane State Community College, which began operation in 1971 in Harriman, Roane County, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2018 enrollment was about 5,870 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College.

The Tennessee College of Applied Technology at Harriman. The Tennessee College of Applied Technology at Harriman (the “TCAT-H”) is part of a statewide system of 26 vocational-technical schools. The TCAT-H meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-H serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The TCAT-H began operations in 1970, and the main campus is located in Roane County. Fall 2017 enrollment was 701 students.

Source: Tennessee College of Applied Technology at Harriman.

Nearby there are more opportunities for higher education. The University of Tennessee at Knoxville is the largest school in the UT system located in Knoxville. Pellissippi State

Technical Community College is another option for a two year transfer school located in Knox and Blount Counties.

HEALTHCARE

There are many hospitals within the MSA area available to the County. There are nine acute care hospitals in nearby Knox County alone, including two healthcare systems (Covenant Health Care and Tennova Healthcare). The County has one hospital located in Lenoir City.

Fort Loudoun Medical Center. Fort Loudoun Medical Center is a 50-bed, \$29 million, 87,000-square-foot hospital that opened in Lenoir City in November 2004. Fort Loudoun Medical Center is a full-service hospital that has bedside charting technology, a four-bed critical care unit, and a 12-suite Emergency Department with a designated fast track for less serious emergencies. Fort Loudoun Medical Center is one of nearly 30-member organizations of Covenant Health, which includes acute care facilities, outpatient clinics, specialty and home care, and other services.

Covenant Health, headquartered in nearby Knoxville, has nine acute-care hospitals plus inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 10,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians. Covenant Health is a comprehensive health system established in 1996.

Source: Covenant Health and Fort Loudoun Medical Center.

POWER PRODUCTION

Fort Loudoun Dam. Tennessee Valley Authority's ("TVA") Fort Loudoun Dam is located in Lenoir City near on the Tennessee River. Construction of Fort Loudoun Dam began in 1940 and was completed in 1943. Fort Loudoun Dam is 122 feet high and stretches 4,190 feet across the Tennessee River. The generating capacity of Fort Loudoun's four units is 155,600 kilowatts of electricity. The 60- by 360-foot Fort Loudoun lock raises and lowers river craft about 70 feet between the Reservoir and Watts Bar Reservoir. Barges passing through the Fort Loudoun lock carry half a million tons of cargo a year. Fort Loudoun Reservoir travels up river from Loudon County to Blount and Knox Counties.

Source: Tennessee Valley Authority.

Melton Hill Dam. Tennessee Valley Authority's ("TVA") Melton Hill Dam is located in Loudon County on the Clinch River. Construction of Melton Hill Dam began in 1960 and was completed in 1963. The Dam is 103 feet high and stretches 1,020 feet across the Clinch River. The generating capacity of Melton Hill is 72,000 kilowatts of electricity. Melton Hill is the only TVA dam on a tributary stream with a navigation lock. The navigation lock at Melton Hill has a 75- by 400-foot chamber and a maximum lift of 60 feet. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties.

Source: Tennessee Valley Authority.

Tellico Dam. Tennessee Valley Authority's ("TVA") Tellico Dam is located in Lenoir City on the Little Tennessee River very close to the Fort Loudoun Dam. Construction of Tellico

Dam began in 1967 and was completed in 1979. Tellico Dam is 129 feet high and reaches 3,238 feet across the Little Tennessee River. Water from Tellico helps drive the four generating units at Fort Loudoun Dam, which has a generating capacity of 145,000 kilowatts of electricity. Tellico Reservoir stretches 33 miles into the mountains of east Tennessee through Loudon and Monroe Counties.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

Much of the new industry in the area has chosen to do business in Loudon County due to the County's excellent location on the Tennessee River and within a day's drive of 75% of the nation's population. More than 16,000 workers are available within 45 minutes of the County's industrial areas.

The following is a list of the major employers in the County:

Major Employers in Loudon County

<u>Company</u>	<u>Product</u>	<u>Employment</u>
Kimberly-Clark Corporation	Paper Mill	687
Monterey Mushrooms	Mushrooms	580
Loudon County Schools	Education	574
Crete Carrier Corp.	Transportation	450
Malibu Boats	Boat Manufacturer	399
Total Transportation of Mississippi	Transportation	350
HT Hackney Co.	Distribution	340
Loudon County	Government	324
Lenoir City Schools	Education	292
Tate & Lyle/ A.E. Staley Mfg.	Syrup, Alcohol, Grain Pellets	254
Fort Loudon Medical Center	Hospital	248

Source: East Tennessee Economic Development Agency and Knoxville News Sentinel - 2019.

The County has eight established business and industrial parks with full utilities available: Matlock Bend Industrial Park with 450 acres, Sugarlimb Industrial Park with 400 acres, Blair Bend with 385 acres, Highlands Business Park with 363 acres, Huntington Business Park with 200 acres, Centre Seventy-Five Business Park with 284 acres, Fort Loudon (Car Works Site) at 100 acres, and Spring Cress Business Park with 92 acres. All sites sit adjacent to Highway 11 and just 2.5 miles from I-75, and all have access to the Norfolk-Southern Railroad.

Tellico Regional Business Park. Located in Loudon County, Tennessee, Tellico Regional Business Park was completed in 2008 and feature available Greenfield sites ranging from 5 acres to 100 acres. Utilities are located at the property line and include 6" gas, 8" water, and 8" force main sewer. The development has a planned airport with runway.

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EMPLOYMENT INFORMATION

For the month of September 2019, the unemployment rate for Loudon County stood at 3.1% with 23,018 persons employed out of a labor force of 23,744.

The Knoxville MSA's unemployment for September 2019 was at 2.9% with 424,862 persons employed out of a labor force of 437,524. As of September 2019, the unemployment rate in the Knoxville-Morristown-Sevierville CSA stood at 2.9%, representing 545,012 persons employed out of a workforce of 561,418.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.7%	3.5%
Loudon County	6.70%	5.60%	4.70%	3.70%	3.40%
Index vs. National	108	106	96	82	94
Index vs. State	102	100	100	97	97
Knoxville MSA	6.10%	5.20%	4.40%	3.60%	3.30%
Index vs. National	98	98	90	80	92
Index vs. State	92	93	94	95	94
Knoxville-Sevierville- Harriman CSA	6.40%	5.50%	4.60%	3.70%	3.40%
Index vs. National	103	104	94	84	94
Index vs. State	97	98	98	100	97

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

	Per Capita Personal Income				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$40,977	\$42,810	\$43,932	\$45,517
Loudon County	\$40,647	\$42,023	\$43,736	\$45,159	\$46,183
Index vs. National	91	89	89	91	89
Index vs. State	103	103	102	103	101
Knoxville MSA	\$38,267	\$39,816	\$41,611	\$42,547	\$43,903
Index vs. National	85	85	85	85	85
Index vs. State	97	97	97	97	96
Knoxville-Sevierville-Harriman CSA	\$36,786	\$38,233	\$39,953	\$40,847	\$42,102
Index vs. National	82	81	82	82	82
Index vs. State	93	93	93	93	92

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Loudon County</u>	<u>Lenoir City</u>
Median Value Owner Occupied Housing	\$193,500	\$151,700	\$193,000	\$119,000
% High School Graduates or Higher Persons 25 Years Old and Older	87.3%	86.5%	85.4%	73.5%
% Persons with Income Below Poverty Level	11.8%	15.3%	12.6%	23.9%
Median Household Income	\$57,652	\$48,708	\$55,431	\$40,170

Source: U.S. Census Bureau State & County QuickFacts - 2017.

RECREATION

Fort Loudoun Reservoir. Tennessee Valley Authority's ("TVA") Fort Loudoun Dam is located in Lenoir City near on the Tennessee River. Fort Loudoun Reservoir travels up river from Loudon County to Blount and Knox Counties. It is the uppermost in the chain of nine TVA reservoirs that form a continuous navigable channel along the entire Tennessee River from Knoxville to Paducah, Kentucky, 652 miles away. The reservoir is known for its bass fishing, boating, and bird watching. Fort Loudoun is also connected by a short canal to Tellico Reservoir

on the nearby Little Tennessee River. Water is diverted through the canal to Fort Loudoun for power production.

Melton Hill Reservoir. Tennessee Valley Authority's ("TVA") Melton Hill Dam is located in Loudon County on the Clinch River. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties. Unlike other TVA reservoirs, Melton Hill is not used for flood control. But because it's used for power production, the level of the water in the reservoir fluctuates about four feet throughout the year. Melton Hill Reservoir has a nationally recognized rowing course and is a spring training site for collegiate teams from throughout the eastern United States. Melton Hill Reservoir extends up the Clinch River to Clinton, Tennessee.

Tellico Reservoir. Tennessee Valley Authority's ("TVA") Tellico Dam is located in Lenoir City on the Little Tennessee River very close to the Fort Loudoun Dam. Tellico Reservoir stretches 33 miles into the mountains of east Tennessee through Loudon and Monroe Counties. Tellico Reservoir was planned as an extension of nearby Fort Loudoun Reservoir. Tellico Dam serves to divert water through a short canal into Fort Loudoun, linking the two reservoirs in their joint functions of flood control, power production, and improved navigation. They help regulate flooding downstream, especially at Chattanooga. The canal also allows barges to enter the Little Tennessee River without a lock, thus significantly increasing commercial barge operations in the Valley.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Bussell Island Distillery and Brewery Company. In 2019, the Bussell Island Distillery and Brewery Company began renovation on the old Lenoir City Utilities Board building in downtown Lenoir City. The facility will be a restaurant, distillery and brewery with a tasting room. The project is expected to be opened in two phases and should be completed in 2020.

Lenoir City Utility Board (the "LCUB"). In early 2018 LCUB finished construction on a new 180,000 square foot operations facility that will serve as the new corporate headquarters. It hosts a state-of-the-art operation and dispatch center, a customer service center, a data center with biometric security and other Tier III design features. The new facility also has a 110,000-square foot warehouse with a bar coding inventory control system and 62 truck bays.

Morgan Olson LLC. Morgan Olson opened a new \$10 million 300,000 square-foot facility in Loudon in 2016. Morgan Olson makes delivery vans. The new facility created 400 jobs initially and is expected 500 or more over the next few years.

Protomet Corp. Protomet Corp. finished construction on a new, 244,000-square-foot, \$30 million facility in 2019. The company is expected to employ 200 within the next three to four years. Protomet provides precision manufacturing and finishing for customers in the marine, automotive, homeland security, industrial and power markets.

Source: Knoxville News Sentential and the County.

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CITY OF LENOIR CITY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

GENERAL OBLIGATION BONDED DEBT AS OF JUNE 30, 2019 (Unaudited)

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) OUTSTANDING
\$ 10,375,000	General Obligation Bonds, Series 2009 (Schools)	June 2030	Fixed	\$ 6,455,000
1,550,000	General Obligation Bonds, Series 2010 (Schools)	June 2030	Fixed	935,000
2,500,000	General Obligation Loan, Series 2004 (TMBF)	May 2020	Variable	211,000
5,000,000	General Obligation Loan, Series 2008 (TMBF)	May 2037	Variable	3,981,000
250,000	General Obligation Capital Outlay Notes, Series 2012 (TMBF)	2022	Fixed	100,000
2,000,000	General Obligation Loan, Series 2015 (TMBF)	May 2035	Variable	1,712,000
150,000	General Obligation Capital Outlay Notes, Series 2015 (TMBF)	2021	Fixed	62,000
1,900,000	General Obligation Loan, Series 2016 (TMBF)	May 2032	Variable	1,676,000
6,500,000	General Obligation Loan, Series 2017A	2057	Fixed	6,257,460
500,000	General Obligation Loan, Series 2017B	2057	Fixed	480,606
\$ 30,725,000	TOTAL GENERAL OBLIGATION BONDED DEBT			\$ 21,870,066
\$ 5,965,000	(7) General Obligation Refunding Bonds, Series 2020	June 2030	Fixed	\$ 5,965,000
(11,925,000)	Less: Bonds Being Refunded / Paid Off			(7,390,000)
\$ 24,765,000	NET BONDED DEBT			\$ 20,445,066

REVENUE SUPPORTED BONDED DEBT AS OF JUNE 30, 2019 (Unaudited)

\$ 10,000,000	(2)	Electric System Revenue Bond, Series 2015	2033	Variable	\$ 9,000,000
25,000,000	(2)	Electric System Revenue Bond, Series 2016A	2041	Variable	23,425,000
25,000,000	(2)	Electric System Revenue Bond, Series 2016B	2041	Variable	23,336,000
99,383	(2)	Water State Drinking Water Fund Loan SDWF 2000-035	2022	Fixed	99,383
5,000,000	(2)	Water System TMBF Loan, Series 2003	May 2030	Variable	2,610,000
5,000,000	(2)	Water System TMBF Loan, Series 2008	May 2037	Variable	3,934,000
5,900,000	(2)	Water System TMBF Loan, Series 2014	2029	Variable	3,933,335
148,848	(2)	Water System CHH Industrial Note	2023	Variable	118,662
1,100,000	(2)	Sewer Revenue and Tax Bonds, Series 1996-095 (SRF Loan)	2021	Fixed	108,252
80,224	(2)	Sewer Department SRF 1999-126	2022	Fixed	80,224
825,000	(2)	Sewer Department SRF 2001-155	2024	Fixed	265,692
1,500,000	(2)	Sewer System TMBF Loan, Series 2003	May 2027	Variable	498,000
5,000,000	(2)	Sewer System TMBF Loan, Series 2005	May 2030	Variable	929,000
5,500,000	(2)	Sewer System TMBF Loan, Series 2008	May 2037	Variable	4,328,000
1,136,050	(2)	Sewer Department SRF 2006-191	2029	Fixed	603,942
13,500,000	(2)	Sewer Department SRF 2008-218	2032	Fixed	7,494,655
1,627,000	(2)	Sewer Department SRF 2009-238	2031	Fixed	1,143,333
1,650,000	(2)	Gas System Capital Outlay Note, Series 2011	2024	Fixed	761,000
1,000,000	(2)	Gas System Capital Outlay Note, Series 2014	2024	Variable	497,624
\$ 109,066,505		TOTAL REVENUE-SUPPORTED BONDED DEBT			\$ 83,166,102
(109,066,505)		Less: Revenue-supported debt			(83,166,102)
\$ 30,725,000		NET BONDED DEBT			\$ 21,870,066

NOTES:

(1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Revenue-supported bonds.

CITY OF LENOIR CITY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements.

	For the Fiscal Year Ended June 30				Unaudited	After Issuance
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 17,112,733	\$ 19,844,335	\$ 25,408,533	\$ 23,121,302	\$ 21,870,066	\$ 20,445,066
TOTAL TAX SUPPORTED	17,112,733	19,844,335	25,408,533	23,121,302	21,870,066	20,445,066
REVENUE SUPPORTED						
Water & Sewer Revenue Bonds & Notes	\$ 33,315,852	\$ 31,542,654	\$ 29,735,624	\$ 28,039,327	\$ 26,146,478	\$ 26,146,478
Electric & Gas Revenue Bonds & Notes	8,194,000	61,963,624	\$ 61,732,624	59,562,291	57,019,624	57,019,624
TOTAL REVENUE SUPPORTED	41,509,852	93,506,278	91,468,248	87,601,618	83,166,102	83,166,102
TOTAL DEBT	\$ 58,622,585	\$ 113,350,613	\$ 116,876,781	\$ 110,722,920	\$ 105,036,168	\$ 103,611,168
Less: Revenue Supported Debt	\$ (41,509,852)	\$ (93,506,278)	\$ (91,468,248)	\$ (87,601,618)	\$ (83,166,102)	\$ (83,166,102)
Less: Debt Service Funds	(710,996)	(735,409)	(1,140,627)	(1,259,238)	(1,259,238)	(1,259,238)
NET DIRECT DEBT	\$ 16,401,737	\$ 19,108,926	\$ 24,267,906	\$ 21,862,064	\$ 20,610,828	\$ 19,185,828
PROPERTY TAX BASE						
Estimated Actual Value	\$ 732,462,606	\$ 754,310,094	\$ 772,429,153	\$ 822,334,975	\$ 836,345,100	\$ 836,345,100
Appraised Value	732,462,606	735,452,342	753,118,424	822,334,975	836,345,100	836,345,100
Assessed Value	231,578,651	232,996,300	237,844,006	260,682,914	264,924,551	264,924,551

DEBT RATIOS	For the Fiscal Year Ended June 30				Unaudited	After Issuance
	2015	2016	2017	2018	2019	2020
TOTAL DEBT to Estimated Actual Value	8.00%	15.03%	15.13%	13.46%	12.56%	12.39%
TOTAL DEBT to Appraised Value	8.00%	15.41%	15.52%	13.46%	12.56%	12.39%
TOTAL DEBT to Assessed Value	25.31%	48.65%	49.14%	42.47%	39.65%	39.11%
NET DIRECT DEBT to Estimated Actual Value	2.24%	2.53%	3.14%	2.66%	2.46%	2.29%
NET DIRECT DEBT to Appraised Value	2.24%	2.60%	3.22%	2.66%	2.46%	2.29%
NET DIRECT DEBT to Assessed Value	7.08%	8.20%	10.20%	8.39%	7.78%	7.24%
PER CAPITA RATIOS						
POPULATION (1)	9,091	9,106	9,199	9,305	9,305	9,305
PER CAPITA PERSONAL INCOME (2)	\$43,736	\$45,159	\$46,183	\$46,183	\$46,183	\$46,183
Estimated Actual Value to POPULATION	80,570	82,837	83,969	88,376	89,881	89,881
Assessed Value to POPULATION	25,473	25,587	25,855	28,015	28,471	28,471
Total Debt to POPULATION	6,448	12,448	12,705	11,899	11,288	11,135
Net Direct Debt to POPULATION	1,804	2,098	2,638	2,349	2,215	2,062
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	14.74%	27.56%	27.51%	25.77%	24.44%	24.11%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.13%	4.65%	5.71%	5.09%	4.80%	4.46%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census and the Government of the City of Lenoir City.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF LENOIR CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation - Supported by Schools

F. Y. Ended 6/30	Existing Debt - School System As of June 30, 2019 (Unaudited)			Less: Loans Being Refinanced			General Obligation Refunding Bonds, Series 2020			Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	\$ 555,000	\$ 288,231	\$ 843,231	\$ (555,000)	\$ (288,231)	\$ (843,231)	\$ -	\$ 80,859	\$ 80,859	\$ -	\$ 80,859	\$ 80,859	0.00%
2021	575,000	266,781	841,781	(575,000)	(266,781)	(841,781)	500,000	238,600	738,600	500,000	238,600	738,600	
2022	590,000	244,531	834,531	(590,000)	(244,531)	(834,531)	515,000	218,600	733,600	515,000	218,600	733,600	
2023	615,000	221,681	836,681	(615,000)	(221,681)	(836,681)	535,000	198,000	733,000	535,000	198,000	733,000	
2024	640,000	197,881	837,881	(640,000)	(197,881)	(837,881)	560,000	176,600	736,600	560,000	176,600	736,600	35.37%
2025	670,000	172,981	842,981	(670,000)	(172,981)	(842,981)	580,000	154,200	734,200	580,000	154,200	734,200	
2026	690,000	146,925	836,925	(690,000)	(146,925)	(836,925)	605,000	131,000	736,000	605,000	131,000	736,000	
2027	720,000	119,963	839,963	(720,000)	(119,963)	(839,963)	630,000	106,800	736,800	630,000	106,800	736,800	
2028	745,000	91,838	836,838	(745,000)	(91,838)	(836,838)	655,000	81,600	736,600	655,000	81,600	736,600	
2029	780,000	62,600	842,600	(780,000)	(62,600)	(842,600)	680,000	55,400	735,400	680,000	55,400	735,400	88.18%
2030	810,000	31,900	841,900	(810,000)	(31,900)	(841,900)	705,000	28,200	733,200	705,000	28,200	733,200	100.00%
	<u>\$ 7,390,000</u>	<u>\$ 1,845,313</u>	<u>\$ 9,235,313</u>	<u>\$ (7,390,000)</u>	<u>\$ (1,845,313)</u>	<u>\$ (9,235,313)</u>	<u>\$ 5,965,000</u>	<u>\$ 1,469,859</u>	<u>\$ 7,434,859</u>	<u>\$ 5,965,000</u>	<u>\$ 1,469,859</u>	<u>\$ 7,434,859</u>	

NOTES:

- (1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.
- (2) Average Coupon 4.00%.

CITY OF LENOIR CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - City Supported Debt
(Excludes Schools and Revenue Supported Debt)
As of June 30, 2019 (Unaudited)

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1) & (2)			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2020	\$ 741,881	\$ 542,887	\$ 1,284,768	5.12%
2021	544,593	510,461	1,055,054	
2022	527,368	487,970	1,015,338	
2023	509,211	465,542	974,753	
2024	523,120	443,263	966,383	19.66%
2025	538,101	420,365	958,466	
2026	554,153	396,796	950,949	
2027	569,278	372,505	941,783	
2028	586,478	347,540	934,018	
2029	603,754	321,798	925,552	39.35%
2030	623,110	295,279	918,389	
2031	640,546	267,880	908,426	
2032	660,065	239,700	899,765	
2033	534,668	210,636	745,304	
2034	552,358	187,936	740,294	60.14%
2035	571,135	164,449	735,584	
2036	474,004	140,122	614,126	
2037	492,966	120,753	613,719	
2038	173,023	100,540	273,563	
2039	177,177	96,431	273,608	73.18%
2040	181,432	92,223	273,655	
2041	185,788	87,914	273,702	
2042	190,249	83,502	273,751	
2043	194,817	78,983	273,800	
2044	199,494	74,356	273,850	79.76%
2045	204,284	69,618	273,902	
2046	209,189	64,767	273,956	
2047	214,212	59,798	274,010	
2048	219,355	54,711	274,066	
2049	224,621	49,501	274,122	87.16%
2050	230,015	44,166	274,181	
2051	235,538	38,704	274,242	
2052	241,193	33,109	274,302	
2053	246,984	27,381	274,365	93.74%
2054	252,914	21,515	274,429	
2055	258,987	15,509	274,496	
2056	265,205	9,358	274,563	
2057	128,800	3,059	131,859	100.00%
	<u>\$ 14,480,066</u>	<u>\$ 7,041,029</u>	<u>\$ 21,521,095</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

CITY OF LENOIR CITY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water System

Supported Debt (General Obligation Pledge) - Estimated

As of June 30, 2019 (Unaudited)

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1)			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2020	\$ 802,247	\$ 375,759	\$ 1,178,006	7.50%
2021	819,242	347,312	1,166,554	
2022	847,570	318,220	1,165,790	
2023	796,318	288,260	1,084,578	
2024	797,333	260,050	1,057,383	37.99%
2025	812,333	232,143	1,044,476	
2026	828,333	203,712	1,032,045	
2027	843,333	174,720	1,018,053	
2028	860,333	145,203	1,005,536	
2029	878,338	115,092	993,430	77.47%
2030	503,000	84,350	587,350	
2031	238,000	66,745	304,745	
2032	248,000	58,415	306,415	
2033	260,000	49,735	309,735	
2034	271,000	40,635	311,635	91.68%
2035	284,000	31,150	315,150	
2036	296,000	21,210	317,210	
2037	310,000	10,850	320,850	100.00%
	<u>\$ 10,695,380</u>	<u>\$ 2,823,561</u>	<u>\$ 13,518,941</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

CITY OF LENOIR CITY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Sewer System

Supported Debt (General Obligation Pledge) - Estimated

As of June 30, 2019 (Unaudited)

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1)			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2020	\$ 1,122,704	\$ 362,713	\$ 1,485,417	7.27%
2021	1,132,511	338,059	1,470,570	
2022	1,109,291	313,123	1,422,414	
2023	1,107,914	288,666	1,396,580	
2024	1,156,532	264,147	1,420,679	36.43%
2025	1,110,088	238,458	1,348,546	
2026	1,132,496	213,577	1,346,073	
2027	1,083,144	188,128	1,271,272	
2028	1,108,996	164,628	1,273,624	
2029	1,125,090	140,454	1,265,544	72.41%
2030	1,096,316	116,213	1,212,529	
2031	1,109,137	91,668	1,200,805	
2032	493,879	67,507	561,386	
2033	286,000	54,705	340,705	
2034	298,000	44,695	342,695	93.66%
2035	312,000	34,265	346,265	
2036	326,000	23,345	349,345	
2037	341,000	11,935	352,935	100.00%
	<u>\$ 15,451,098</u>	<u>\$ 2,956,286</u>	<u>\$ 18,407,384</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

CITY OF LENOIR CITY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Gas System Supported Debt (General Obligation Pledge) - Estimated As of June 30, 2019 (Unaudited)

F.Y. Ended <u>6/30</u>	Estimated Total Bonded Debt Service Requirements (1)			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2020	\$ 243,000	\$ 39,866	\$ 282,866	19.31%
2021	248,000	32,148	280,148	39.01%
2022	252,000	24,282	276,282	59.03%
2023	257,000	16,298	273,298	79.45%
2024	258,624	8,166	266,790	100.00%
	<u>\$ 1,258,624</u>	<u>\$ 120,760</u>	<u>\$ 1,379,384</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

CITY OF LENOIR CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Electric System
As of June 30, 2019 (Unaudited)

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1) & (2)			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2020	\$ 2,339,667	\$ 2,041,658	\$ 4,381,325	4.20%
2021	2,376,667	1,955,972	4,332,639	
2022	2,414,667	1,868,958	4,283,625	
2023	2,453,667	1,780,592	4,234,259	
2024	2,492,667	1,690,825	4,183,492	21.66%
2025	2,532,667	1,599,655	4,132,322	
2026	2,574,667	1,507,060	4,081,727	
2027	2,616,667	1,412,965	4,029,632	
2028	2,658,667	1,317,371	3,976,038	
2029	2,703,667	1,220,276	3,923,943	45.13%
2030	2,748,667	1,121,584	3,870,251	
2031	2,794,667	1,021,295	3,815,962	
2032	2,841,667	919,358	3,761,025	
2033	2,556,329	815,750	3,372,079	
2034	2,272,000	722,113	2,994,113	68.82%
2035	2,323,000	638,398	2,961,398	
2036	2,374,000	552,863	2,926,863	
2037	2,428,000	465,535	2,893,535	
2038	2,481,000	376,290	2,857,290	
2039	2,536,000	285,179	2,821,179	90.60%
2040	2,592,000	192,126	2,784,126	
2041	2,650,000	97,082	2,747,082	100.00%
	<u>\$ 55,761,000</u>	<u>\$ 23,602,906</u>	<u>\$ 79,363,906</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Budget Interest Rate of 2.39% on the Series 2016A Electric Bonds and 5.00% on the Series 2016B Electric Bonds

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures are recognized in the period that the obligation is incurred. Interest on bonded debt is not accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues of such funds are recognized when they are earned and expenses when they are incurred except for prepaid expenses, which are fully expended at the time of payment.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

<u>For the Fiscal Year Ended June 30</u>					
<u>Fund Type</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Governmental Funds:</i>					
General	\$ 3,131,810	\$ 3,879,464	\$ 4,842,461	\$ 4,779,308	\$ 4,566,808
School Fund	5,759,600	6,330,768	6,156,839	3,580,144	5,573,837
Other Governmental	<u>2,954,048</u>	<u>1,861,465</u>	<u>1,565,183</u>	<u>2,620,583</u>	<u>2,664,170</u>
Total	<u>\$11,845,458</u>	<u>\$12,071,697</u>	<u>\$12,564,483</u>	<u>\$13,980,035</u>	<u>\$12,804,815</u>
<i>Proprietary Net Assets</i>	\$170,669,291	\$170,711,407	\$176,806,348	\$178,350,591	\$188,460,664

Source: Comprehensive Annual Financial Reports of the City of Lenoir City, Tennessee.

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CITY OF LENOIR CITY, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Local taxes	\$ 4,377,703	\$ 4,513,768	\$ 4,569,271	\$ 4,802,541	\$ 4,980,719
Licenses and Permits	87,352	95,357	149,767	245,761	111,791
City Court	295,705	253,528	297,851	310,234	299,562
Rent for use of Facilities	372,025	355,808	231,026	334,937	460,000
Intergovernmental Revenue	995,671	1,037,094	1,049,356	940,661	1,019,964
Miscellaneous	522,819	523,251	508,542	785,721	1,145,041
Total Revenues	<u>\$ 6,651,275</u>	<u>\$ 6,778,806</u>	<u>\$ 6,805,813</u>	<u>\$ 7,419,855</u>	<u>\$ 8,017,077</u>
Expenditures & Other Uses:					
General Government	\$ 3,033,923	\$ 2,988,158	\$ 2,994,510	\$ 3,339,396	\$ 3,840,686
Public Safety	3,098,289	3,108,496	3,137,001	3,280,087	3,547,554
Highways and Streets	893,824	897,651	848,327	865,405	677,034
Culture and Recreation	723,085	755,788	780,910	1,011,397	1,275,715
Debt Service:					
Principal Retirement	716,020	813,382	838,398	896,776	1,808,211
Lease Payment on Police Cruiser	87,961	92,667	-	-	-
Interest and Fiscal Charges	158,064	146,206	123,319	305,983	341,751
Total Expenditures	<u>\$ 8,711,166</u>	<u>\$ 8,802,348</u>	<u>\$ 8,722,465</u>	<u>\$ 9,699,044</u>	<u>\$11,490,951</u>
Excess of Revenues & Over (under) Expenditures	\$ (2,059,891)	\$ (2,023,542)	\$ (1,916,652)	\$ (2,279,189)	\$ (3,473,874)
Other Financing Sources (Uses):					
Interfund Transfers - In	\$ 46,096	\$ 57,812	\$ 42,453	\$ 49,717	\$ 59,656
Interfund Transfers - Out	(267,976)	(231,982)	(179,000)	(935,122)	(184,000)
In Lieu of Tax - Lenoir City Utilities	2,858,039	2,945,366	3,016,196	3,101,441	3,385,718
Issuance Of Notes	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 2,636,159</u>	<u>\$ 2,771,196</u>	<u>\$ 2,879,649</u>	<u>\$ 2,216,036</u>	<u>\$ 3,261,374</u>
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	\$ 576,268	\$ 747,654	\$ 962,997	\$ (63,153)	\$ (212,500)
Fund Balance July 1	\$ 2,555,542	\$ 3,131,810	\$ 3,879,464	\$ 4,842,461	\$ 4,779,308
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	<u>\$ 3,131,810</u>	<u>\$ 3,879,464</u>	<u>\$ 4,842,461</u>	<u>\$ 4,779,308</u>	<u>\$ 4,566,808</u>

Source: Comprehensive Annual Financial Report for City of Lenoir City, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Recorder. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own

such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

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Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year.

The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2018¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 4,160,291	55%	\$ 9,531,022
Commercial and Industrial	137,416,480	40%	343,541,200
Personal Tangible Property	15,177,255	30%	50,590,778
Residential, Farm and Open Space	<u>108,170,525</u>	25%	<u>432,682,100</u>
Total	<u>\$264,924,551</u>		<u>\$836,345,100</u>

Source: 2018 Tax Aggregate Report of Tennessee and the City.

¹ The tax year coincides with the calendar year, therefore tax year 2018 is actually fiscal year 2018-2019.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2019 (tax year 2018) is \$264,924,551 compared to \$260,682,914 for the fiscal year ending June 30, 2018 (tax year 2017). The estimated actual value of all taxable property for tax year 2018 is \$836,345,100 as compared to \$822,334,975 for tax year 2017.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2014 through 2018 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2018.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr. Collections		Aggregate Uncollected Balance	
Tax Year ²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2018 Amount	Pct
2014	\$231,875,651	\$1.0615	\$2,462,297	\$2,362,146	95.9%	\$ 1,066	0.0%
2015	232,996,300	1.0615	2,473,810	2,344,119	94.8%	20,374	0.8%
2016	237,844,006	1.0615	2,524,489	2,402,853	95.2%	37,694	1.5%
2017	260,682,914	0.9955	2,589,369	2,492,260	96.2%	97,109	3.8%
2018	264,924,551	0.9955	2,590,000	IN PROGRESS			

² The tax year coincides with the calendar year, therefore tax year 2018 is actually fiscal year 2018-2019.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2018 (tax year 2017), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>Taxes Levied</u>
1. Cove at Creekwood	Apartments	\$ 6,739,880	\$ 67,096
2. Teachers Retirement	40% Wal-Mart	4,951,880	49,296
3. TF Properties	Commercial/Residential	3,560,550	35,445
4. University Health System	Healthcare	3,542,560	35,266
5. MSM Development	Retail Development	3,375,465	33,603
6. Ingles Markets	Retail	3,226,320	32,118
7. HD Dev of Maryville	Retail	3,016,320	30,027
8. Town Creek at Knoxville	Retail	2,929,080	29,159
9. B&J Enterprises	Retail	2,830,280	28,176
10. LB UBS		<u>2,703,680</u>	<u>26,915</u>
TOTAL		<u>\$36,876,015</u>	<u>\$367,101</u>

Source: The City.

INSURANCE

The City participates in the Tennessee County Services Association's self-insurance program for workmen's compensation insurance. This program has been established pursuant of Section 12-9-104(f), Tennessee Code Annotated. The City is required to pay into the program according to a formula which will be adjusted each year based upon the loss record of the City.

The City is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City purchases various commercial insurance policies to cover potential claim settlements and judgments. The City reports its risk management activities within the General and Special Revenue Funds. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount can be reasonable estimated.

PENSION PLANS

Certain employees of the City are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year

average salary and years of service. Members become eligible to retire at the age of 60 with 10 years of service or any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system on or after July 1, 1979, were vested after 10 years of service. Benefit provisions are established and amended by state statute.

The Plan is contributory and the employee pays 5 percent of earnable compensation and the City pays the balance of the total cost of pension contribution. State statute allows apolitical subdivision to become non-contributory if the governing body passes a resolution to that effect.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS OF CITY OF LENOIR CITY, TENNESSEE FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Lenoir City for the fiscal year ended June 30, 2018 which is available upon request from the Cit

CITY OF LENOIR CITY, TENNESSEE

**BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2018

and

INDEPENDENT AUDITOR'S REPORT

CITY OF LENOIR CITY, TENNESSEE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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CITY OF LENOIR CITY, TENNESSEE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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CITY OF LENOIR CITY, TENNESSEE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION

CITY COUNCIL

Jennifer L. Wampler, Vice Mayor

James Brandon

Douglas "Buddy" Hines

Bobby Johnson, Sr.

Jim Shields

Eddie Simpson



Tony R. Aikens - Mayor

CITY ADMINISTRATOR
Amber Scott

CITY RECORDER-TREASURER
James W. Wilburn III

CITY ATTORNEY
Gregory H. Harrison

FINANCE DIRECTOR
Maggie Hunt

Board of Mayor and Aldermen
City of Lenoir City
Lenoir City, Tennessee 37771

Dear Honorable Mayor and Board of Aldermen:

We are submitting the financial report for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. We believe the data, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds, and all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

Brown Jake & McDaniel, PC, a firm of licensed certified public accountants, has audited the City's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principals used and significant estimates made by management and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the year ended June 30, 2018 are fairly presented in conformity with the Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The financial report is presented in four sections: 1) the introductory section, which contains the transmittal letter and a listing of principal officials; 2) the financial section, which consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, the fund financial statements, required supplementary information and other supplementary information; 3) the statistical section, which contains reports required by the State of Tennessee Comptroller of the Treasury; and 4) the internal control and compliance section, which contains reports issued by the auditor.

This report includes all funds required of the City. The City provides a full range of service including Police and Fire Protection, Highways and Streets, Utilities, Schools, Sanitation and Solid Waste, Recreational Activities and General Administrative Services.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) The cost of the control should not exceed the benefits likely to be derived; and 2) The valuation of costs and benefits require estimates and judgments by management.

The City is responsible for insuring that an adequate internal control structure is in place to insure compliance with applicable laws and regulations related to the operations of the City. This internal control structure is subject to periodic evaluation by management. In addition, the City maintains budgetary controls. The objective of these budgetary controls is to insure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Aldermen. Activities of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

The State requires an annual audit of our basic financial statements by an independent certified public accountant. Accordingly, this year's audit was completed by Brown Jake & McDaniel, PC. In addition to meeting the State requirements, the audit was also designed to meet Federal audit requirements.

Respectively submitted,

CITY OF LENOIR CITY, TENNESSEE

Maggie Hunt, Finance Director

CITY OF LENOIR CITY, TENNESSEE

List of Principal Officials

June 30, 2018

Board of Mayor and Aldermen

Tony Aikens, Mayor
Eddie Simpson, Vice-Mayor
Mike Henline, Alderman
Douglas Hines, Alderman
Bobby Johnson, Sr., Alderman
James Shields, Alderman
Jennifer Wampler, Alderman

City Officials

Amber Scott Kelso, City Administrator
James Wilburn III, City Recorder*
Maggie Hunt, Finance Director*
Robin McNabb, City Judge
Greg Harrison, City Attorney

Board of Education

Dr. Jeanne Barker, Director of Schools
Tony Aikens, Ex-Officio
Chris McCarty, Attorney

School Board Members

Rick Chadwick, Chairman
Glenn McNish, Sr., Vice Chairman
Bobby Johnson, Sr.
Mitch Ledbetter
Jim McCarroll

Lenoir City Utilities Board

Shannon Littleton, General Manager
Suzan Williams, Assistant General Manager and
Manager of Accounting and Finance

Commissioners

Tony Aikens, Mayor and Chairman
James Shields, Vice Chairman and Board Member
George Bove, Board Member
Joel Garber, Board Member
Mike Henline, Board Member
Douglas Hines, Board Member
Bobby Johnson, Sr., Board Member
Jennifer Wampler, Board Member

*Certified Municipal Finance Officer

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Mayor and Alderman
City of Lenoir City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison statements of the general fund and general purpose school fund, of the City of Lenoir City, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, 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, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the General Purpose School Fund of the City of Lenoir City, Tennessee as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 8 to the financial statements, Lenoir City, Lenoir City Schools and Lenoir City Utilities Board has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

We draw attention to Note 8 to the financial statements, which describes a restatement to decrease the beginning net position for Lenoir City by \$1,124,374 as shown on the Statement of Revenues, Expenses, and Changes in Net Position. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

We draw attention to Note 8 to the financial statements, which describes a restatement to decrease the beginning net position for Lenoir City Schools by \$1,328,080 as shown on the Statement of Revenues, Expenses, and Changes in Net Position. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

We draw attention to Note 8 to the financial statements, which describes a restatement to decrease the beginning net position for Lenoir City Utilities Board by \$4,566,907 as shown on the Statement of Revenues, Expenses, and Changes in Net Position. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 19 and the required supplementary information on pages 128 through 150 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

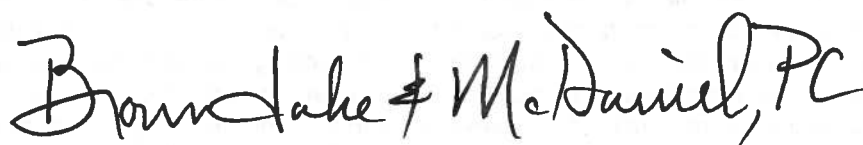
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenoir City, Tennessee's basic financial statements. The introductory section, other supplementary information, including the combining and individual nonmajor fund financial statements, and the statistical schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal and state awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information, including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical schedules section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the City of Lenoir City, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. In accordance with the Uniform Guidance, we have also issued our report dated March 26, 2019 on our consideration of the City of Lenoir City, Tennessee's internal control over major programs and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lenoir City, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brandon Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
March 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Lenoir City, Tennessee's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

Governmental-Type Activities

The net position of the City increased by \$1,790,932 or 5.1 percent.

General revenues accounted for \$18,273,429 or 50 percent of total revenue. Program specific revenues in the form of charges for services, operating grants, capital grants and contributions accounted for \$17,938,787 or 50 percent of total revenues of \$36,212,216.

Among major funds, the General Fund had \$11,462,451 in revenues and transfers and \$11,674,951 in expenses, debt issues and transfers. The fund balance for the General Fund decreased \$212,500.

Among major funds, the General Purpose School Fund had \$22,328,094 in revenues, loans issued and transfers and \$23,553,453 in expenses. The fund balance for the General Purpose School Fund decreased by \$1,225,359 over 2017 due to capital outlay for energy efficient school improvements.

Business-Type Activities

The business-type activities net capital assets increased by \$19.8 million or 8.0 percent.

The business-type activities total net position increased by \$10.1 million or 5.7 percent.

During the year, the business-type activities total revenues increased by \$8.0 million or 4.5 percent.

During the year, the business-type activities total expenses increased by \$3.8 million or 2.2 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The ***Statement of Net Position*** and ***Statement of Activities*** provide information about the activities of the City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other Nonmajor funds presented in one column. In the case of the City, the General Fund and the General Purpose School Fund are by far the most significant funds. The City's business-type activities consist of utility services for electricity, natural gas, water and wastewater treatment provided by the Lenoir City Utilities Board.

The other required financial statement is the ***Statement of Cash Flows***. The primary purpose of this statement is to provide information about the City's business-type activities, cash receipts and cash

payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities; and provides answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

REPORTING THE CITY AS A WHOLE

The *Statement of Net Position* and the *Statement of Activities*

While this document contains the funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "how did we do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and change in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the City's tax base, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the City reports governmental activities and business-type activities. Governmental activities are the activities where most of the City's programs and services are reported, including, but not limited to, general services, public safety, highways and streets, recreation, and education. The City of Lenoir City has two business-type activities, the Lenoir City Utilities Board (LCUB) and the Stormwater Fund. The business type activities provide electric, natural gas, water, wastewater and stormwater services to the City and adjacent areas of Loudon and Knox Counties.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund and the General Purpose School Fund.

Governmental Funds

All of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City general services and educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

THE CITY AS A WHOLE

The **Statement of Net Position** provides the perspective of the City as a whole. Table 1 provides a summary of the City of Lenoir City's net position for 2018 and 2017.

Table 1
Net Position

	Governmental-Type Activities		Business-Type Activities	
<u>ASSETS</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 25,857,551	\$ 26,514,828	\$ 58,393,846	\$ 59,234,791
Capital assets	51,768,135	51,589,578	268,435,004	248,599,665
Total assets	<u>\$ 77,625,686</u>	<u>\$ 78,104,406</u>	<u>\$ 326,828,850</u>	<u>\$ 307,834,456</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources	<u>\$ 6,536,529</u>	<u>\$ 3,784,342</u>	<u>\$ 6,001,295</u>	<u>\$ 5,847,818</u>
<u>LIABILITIES</u>				
Long-term liabilities	\$ 32,644,464	\$ 30,398,831	\$ 94,355,375	\$ 80,711,368
Other liabilities	5,121,701	5,181,091	49,518,215	50,053,408
Total liabilities	<u>\$ 37,766,165</u>	<u>\$ 35,579,922</u>	<u>\$ 143,873,590</u>	<u>\$ 130,764,776</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources	<u>\$ 9,732,636</u>	<u>\$ 10,200,316</u>	<u>\$ 495,891</u>	<u>\$ -</u>
<u>NET POSITION</u>				
Net investment in capital assets	\$ 26,898,654	\$ 26,982,275	\$ 182,949,641	\$ 173,418,028
Restricted	6,987,280	6,465,388	57,825	57,825
Unrestricted	2,777,480	2,660,847	5,453,198	9,441,645
Total net position	<u>\$ 36,663,414</u>	<u>\$ 36,108,510</u>	<u>\$ 188,460,664</u>	<u>\$ 182,917,498</u>

Table 2 provides a summary of the City of Lenoir City's change in net position for 2018 and 2017.

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

	Governmental-Type Activities		Business-Type Activities	
	2018	2017	2018	2017
Revenue:				
Program revenue:				
Charges for services	\$ 1,622,006	\$ 1,621,990	\$ 183,471,532	\$ 177,840,179
Operating grants and contributions	12,946,134	13,557,359	-	-
Capital grants and contributions	3,370,647	2,332,323	441,652	56,647
General revenue:				
Taxes:				
Sales taxes	6,600,394	6,606,940	-	-
Property taxes	7,636,225	7,825,216	-	-
In-lieu of tax	425,643	209,075	-	-
Business taxes	381,256	382,876	-	-
Beer taxes	609,570	567,441	-	-
Gas taxes	17,388	17,455	-	-
Excise taxes	18,004	17,931	-	-
Hotel/Motel tax	355,727	344,439	-	-
Adequate facilities tax	140,651	126,738	-	-
Other taxes	166,036	162,963	-	-
Interest earned	57,129	25,912	103,656	58,336
OPEB income	97,176	-	-	-
Pension income	-	18,439	-	-
Contributions	62,734	38,299	-	-
Miscellaneous	10,046	71,691	133,944	-
In-lieu of tax - enterprise fund transfers	3,469,988	3,185,711	(3,469,988)	(3,185,711)
Interfund transfer in, net	(1,849,666)	-	1,849,666	-
Gain (loss) on sale of fixed assets	75,128	(1,761,955)	-	2,438
Total revenue	36,212,216	35,350,843	182,530,462	174,771,889
Program expenses:				
General government	2,795,950	4,053,711	-	-
Public safety	3,308,808	3,452,718	-	-
Drug enforcement	13,770	10,531	-	-
Highways and streets	3,141,173	1,144,079	-	-
State street aid	206,074	240,180	-	-
Sanitation	335,533	336,272	-	-
Culture and recreation	1,206,958	1,311,494	-	-
Community Development	-	295,483	-	-
Downtown VIP	41,030	33,759	-	-
Education	22,994,259	22,007,403	-	-
Stormwater	-	-	457,072	-
Utilities	-	-	171,963,317	168,660,739
Interest and fiscal charges	377,729	273,358	-	-
Total program expenses	34,421,284	33,158,988	172,420,389	168,660,739
Change in net position	1,790,932	2,191,855	10,110,073	6,111,150
Net position, beginning, as previously stated	36,108,510	33,916,655	182,917,498	176,806,348
Prior period adjustments (See Note 23)	1,216,426	-	-	-
Cumulative effect of change in accounting principle (See Note 8)	(2,452,454)	-	(4,566,907)	-
Net position, beginning, as restated	34,872,482	33,916,655	178,350,591	176,806,348
Net position, ending	\$ 36,663,414	\$ 36,108,510	\$ 188,460,664	\$ 182,917,498

Governmental-Type Activities

	Governmental-Type Activities	
	2018	2017
Revenues:		
Property taxes	18%	22%
Sales taxes	21%	19%
Grants and contributions	45%	45%
In-lieu of taxes	10%	10%
Other	6%	4%
	100%	100%
Expenses:		
Education	67%	66%
Public safety	10%	11%
Other	23%	23%
	100%	100%

Business-Type Activities

	Business-Type Activities	
	2018	2017
Revenues:		
Charges for utility services	99%	99%
Other	1%	1%
	100%	100%

Expenses related to providing utility service to customers comprise 99 percent of the City's business-type activity expenses. Providing electric distribution services represents the largest portion of the business activities provided by the City.

The **Statement of Activities** shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
General government	\$ 2,795,950	\$ 1,782,568	\$ 4,053,711	\$ 3,344,334
Public safety	3,308,808	2,063,326	3,452,718	2,765,621
Drug enforcement	13,770	(5,470)	10,531	(8,603)
Highways and streets	3,141,173	1,292,978	1,144,079	(621,688)
State street aid	206,074	(83,728)	240,180	983
Sanitation	335,533	(32,618)	336,272	(43,425)
Culture and recreation	1,206,958	773,300	1,311,494	415,195
Community Development	-	-	295,483	-
Downtown VIP	41,030	731	33,759	(19,171)
DEA asset forfeiture	-	(21,791)	-	(1,084)
Education	22,994,259	10,335,472	22,007,403	9,541,796
Interest and fiscal charges	377,729	377,729	273,358	273,358
	<u>\$ 34,421,284</u>	<u>\$ 16,482,497</u>	<u>\$ 33,158,988</u>	<u>\$ 15,647,316</u>

General government includes activities of the judicial, legislative and executive branches of the City, as well as financial administration, legal, industrial development, municipal building operations and maintenance, and any other activity not specifically included in a separate program.

Public safety includes activities of the police, fire and codes enforcement.

Drug enforcement includes specific police activity related to the eradication of illegal drug use, production and distribution.

Highways and streets include activities related to the operation and maintenance of roads, streets, sidewalks, alleys, and all related activities.

State street aid includes the administration of gas taxes restricted for the maintenance of City roads, sidewalks, etc.

Sanitation includes all the activities of solid waste collection and removal for the City.

Culture and recreation includes all the activities of the parks, community centers and libraries.

Community development includes all the activities of the HOMES grant.

Downtown VIP is reserved for cost sharing grants from the City to downtown business owners for storefront revitalization.

DEA asset forfeiture includes all the revenue generated from DEA forfeitures and seizures and the restricted expenditures of those funds for the police department.

Capital projects – City and City #2 includes all activities related to capital outlay and to the construction of Town Creek Road extension, respectively.

Education includes all activity of the Lenoir City Board of Education.

Interest and fiscal charges is the activity associated with the payment of the School System's debt.

The dependence upon tax revenue is apparent. Education activities supported through taxes and other general revenues amounted to 55 and 43 percent for the fiscal year ended 2018 and 2017. All other activities supported through taxes and other general revenues amounted to 54 and 53 percent for the fiscal year ended 2018 and 2017. The community as a whole is the primary support for the City. The fiscal year 2018 general revenue percentage was comparable to fiscal year 2017.

CHANGE IN NET POSITION – BUSINESS-TYPE ACTIVITIES

Changes in the business-type activities net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Change in Net Position for the year 2018 and 2017.

Table 4
Statement of Revenues, Expenses and Change in Net Position

Business-Type Activities		
	2018	2017
Revenues:		
Operating revenues	\$ 183,471,532	\$ 177,840,179
Non-operating revenues	237,600	60,774
Total revenues	183,709,132	177,900,953
Expenses:		
Purchased energy	136,629,538	135,252,997
Distribution and treatment	10,346,749	10,961,731
Customer account services expense	3,081,671	3,043,217
Administration and general expense	4,739,416	3,991,973
Maintenance expense	6,845,547	6,057,934
Depreciation expense	9,581,012	8,642,353
Interest and debt expense	1,196,456	550,601
Other - extraordinary deductions	-	159,933
Total expenses	172,420,389	168,660,739
Income before contributions and transfers	11,288,743	9,240,214
Contributions from governments	441,652	56,647
Interfund transfer in, net	1,849,666	-
Transfers to local government	(3,469,988)	(3,185,711)
Change in net position	10,110,073	6,111,150
Net position, beginning, as previously stated	182,917,498	176,806,348
Cumulative effect of change in accounting principle	(4,566,907)	-
Net position, beginning, as restated	178,350,591	176,806,348
Net position, ending	\$ 188,460,664	\$ 182,917,498

Total Operating Revenues increased by 3.17% compared to the prior year. Revenue in all departments was slightly up due mostly to residential and commercial sales. Total Expenses increased by 2.23%. Purchased Energy increased 1.02%. Distribution and Treatment decreased 5.61% due to a decrease in workorder closings. Customer Account Services Expense increased only by 1.26%. Administrative and General Expense increased primarily due to the increase in pension expense recognized as a result of GASB 68. Depreciation is up by 10.86%. Interest Cost is up 117.30% due to the Electric Department issuing new loans. Even though there were no acquisitions by the Knoxville Utilities Board during the current year, future annexation by the City of Knoxville could result in additional loss of electric plant.

THE CITY'S FUNDS

Information about the City's major funds is detailed in the Financial Section of the financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, debt issues and transfers of \$40,758,921 and \$46,859,047 and expenditures and transfers of \$42,153,193 and \$45,443,495 for the fiscal years 2018 and 2017. The increase of revenues, expenses and debt issues in 2018 was due mainly to multiple capital grants and capital projects in fiscal year 2018.

As the City completed the current year, all governmental funds had a balance of \$12,804,815, a decrease of \$1,394,272 from 2017. In the prior year, all governmental funds had a balance of \$13,980,035, an increase of \$1,415,552 over 2016. This current year increase was mainly due to higher revenues and borrowings for capital projects in the current year. In the prior year, the increase was mainly due to higher revenues in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared according to Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds, however, are the General Purpose School Fund and the General Fund.

The City amended the General Fund budget at the end of the 2018 fiscal year. The most significant amendments were related to taxes, permits, rental income, transfers, salaries, employee benefits, data processing, insurance and interest expense. Overall, budgeted expenditures increased by \$1,276,465, or a 12.9 percent increase, and budgeted revenues increased \$773,047 or 7.8 percent.

GENERAL PURPOSE SCHOOL FUND BUDGETARY HIGHLIGHTS

The School System's budget is prepared according to Tennessee law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Purpose School Fund.

The School System amended its budget at the end of the 2018 fiscal year. The most significant items amended were capital outlay costs related to energy efficient improvements at the Schools. Overall budgeted expenditures increased by \$5,562,789, a 27.6 percent increase.

The final budgeted estimate for revenues and transfers was \$25,316,788. The original budgeted estimate was \$20,015,446. Increases in loans, local and state sales taxes and other state taxes, as well as state funding and other state grants provided growth in revenues. Budgeted revenues and transfers increased by 26.5 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Governmental-Type Activities

At the end of fiscal year 2018 and 2017, the City had \$51,768,135 and \$51,589,578 invested in land, buildings and improvements, machinery and equipment, and vehicles. Table 5 shows fiscal 2018 and 2017 balances.

Table 5
Capital Assets (Net of Depreciation) at June 30

Governmental-Type Activities		
	2018	2017
Land	\$ 2,995,790	\$ 2,995,790
Buildings and improvements	31,414,237	29,360,156
Machinery and equipment	1,979,177	1,396,667
Vehicles	1,753,862	1,710,722
Street network	13,625,069	16,126,243
	<u>\$ 51,768,135</u>	<u>\$ 51,589,578</u>

Overall capital assets increased by \$178,557 in FY 2018 and increased \$7,583,651 in FY 2017; and, depreciation expenses for these years amounted to \$2,022,539 and \$1,803,752, respectively. Major additions for 2018 were construction of roads and sidewalk improvements, and various furniture and equipment items. Board of Education additions included energy efficient building improvements throughout the school system.

Major additions for 2017 were construction of "The Venue" event center and renovation of the Memorial Building as well as road and sidewalk improvements, and various furniture and equipment items. Board of Education additions included the remodel of the new administration building, renovations at the high school gym, an ambulance simulator and other equipment.

Capital Assets – Business-Type Activities

At the end of FY 2018, the business-type activities had a net amount of \$268.4 million invested in a broad range of utility capital assets, including its electric distribution, gas distribution, water treatment plant, water distribution mains, water storage facilities and warehouses. This amount represents a net increase of \$19.8 million over the prior year.

At the end of FY 2017, the business-type activities had a net amount of \$248.6 million invested in a broad range of utility capital assets, including its electric distribution, gas distribution, water treatment plant, water distribution mains, water storage facilities and warehouses. This amount represents a net increase of \$24.4 million over the prior year.

Table 6
Capital Assets (Net of Depreciation) at June 30
(Dollars in Thousands)

Business-Type Activities		
	2018	2017
Net Utility Plant:		
Electric	\$ 201,773	\$ 186,072
Gas	9,425	9,564
Water	20,763	20,869
Sewer	34,206	32,095
Stormwater	2,267	-
	<u>\$ 268,434</u>	<u>\$ 248,600</u>
Major additions include:	2018	2017
Electric:		
Distribution plant	\$ 9,447,754	\$ 11,248,291
General plant	48,327,684	1,179,868
Plant future use	(35,839,490)	23,917,392
Construction work in progress	(54,421)	1,727,954
Gas:		
Distribution plant	\$ 219,325	\$ 321,205
General plant	102,718	45,981
Construction work in progress	47,413	-
Water:		
Treatment and distribution plant	\$ 326,230	\$ 473,392
General plant	213,171	40,092
Plant future use	(6,388)	4,129
Construction work in progress	195,281	264,590
Sewer:		
Treatment and distribution plant	\$ 290,485	\$ 235,477
General plant	33,012	59,710
Construction work in progress	2,804,001	430,265
Stormwater:		
General plant transfer from governmental-type activities	\$ 2,837,538	\$ -

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

The Utilities Board's FY 2019 capital budget plans for investing another \$14.7 million in capital projects including the following:

Electric system upgrades and improvements	\$ 900,000
Electric distribution plant	6,500,000
Electric substations	1,742,500
Road construction projects	840,000
Transportation equipment	545,000
Information technology	1,753,000
Other equipment	194,000
Water line extensions and rehabilitations	300,000
Meter replacement	75,000
Other water equipment	10,000
Water tank inspection	15,000
Sewer line extension and rehabilitations	290,000
Sewer lift station improvements	100,000
New lift station	470,000
Contingency	75,000
Waste water treatment plant	500,000
Transportation	89,000
Gas line extensions, rehabilitation and system ties	175,000
Other gas equipment	32,000
Meter replacement	60,000
Transportation	<u>24,000</u>
	<u>\$14,689,500</u>

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

Debt Administration – Governmental-Type Activities

The City has a credit rating of AA, with no change to the credit rating in the past fiscal year. In addition, the City routinely purchases bond insurance on all bond issues. This brings the bond rating for the individual bonds to AAA. The City charter does not limit the amount of debt that can be issued.

At June 30, 2018, the City had a long-term debt totaling \$24,869,481 with \$1,251,236 due within one year. Interest on debt ranges from 0.94% to 4.00%.

Debt Administration – Business-Type Activities

At June 30, 2018, the business-type activities had outstanding insured notes and revenue bonds in the amount of \$84.4 million. Debt service schedules go to 2041. The interest rates are mixed between fixed and variable. Interest rates range from 1.47% to 7.18% at June 30, 2018. All outstanding bonds are insured and rated AAA. Total principal payments of \$4,435,516 are due in 2019.

The amount of outstanding long-term debt in the Gas and Water and Sewer Departments at June 30, 2018 was \$27.2 million. Debt service schedules go to 2037. Total principal payments of \$2,131,849 are due in 2019. This debt consists of capital outlay notes, Rural Development Loans, State Revolving Fund Loans and TML Bond Fund Loans. The interest rates are variable and fixed, ranging from 1.47% to 5.00% on the long-term debt at June 30, 2018.

CURRENT FINANCIAL ISSUES AND CONCERNS

Governmental-Type Activities

The City's sales tax revenues (important indicator of the health of the economy) are performing well and holding steady. The City continues to experience some growth in property tax revenues, with the increased residential and commercial growth. The City is experiencing residential growth primarily in the new developments off Harrison Road. For the last three (3) years, the City's building permit collections have met their 100% budget mark within the first six (6) months of the Fiscal Year. However, over the last year, this has started to level off. Over the last year, the City has experienced new business located along the Highway 321 Corridor, as well as the Historic Downtown area. The City expects to see even more commercial growth along the corridor, as well as in the new "Market at Town Creek" and "Creekwood Park Boulevard" developments. The City continues to look to the future with optimism, as a result of these events.

With development comes the need to improve infrastructure, and the City has several transportation projects underway, as well as some on the horizon. These include the Downtown Streetscapes Project-Phase II; Harrison Road Intersection Improvements Project; and the Simpson Road Widening Project, to name a few. Additionally, renovations have been made to the War Memorial Building, and a new All-Access Playground has been constructed in Downtown Lenoir City, known as "Central Park." We were also awarded grant for installation of splash pad, pavilion, changing rooms/bathrooms, etc. to the new Central Park. We are also in the process of partnering with Roane State Community College in Downtown Lenoir City to install a "parklet" in the area of South A Street. Keeping that in mind, the City continues to hold fast to its philosophy of conservative fiscal management and stewardship of public funds.

Schools

The local economy presents a favorable outlook for the Lenoir City School System. The Hwy 321 business district continues to develop and has contributed to increase sales tax collections. Additional business developments along Creekwood Park Blvd. and Town Creek Parkway provide room for additional economic growth. New housing construction continues to add to the property tax base and provide adequate facilities tax.

A concern that remains in the forefront of the minds of the administration and Board of Education is the recent administrative change in state government. Although the state budget currently provides level funding for education, there is the possibility of differing funding priorities and initiatives with the new administration. In addition, the districts long range strategic plan outlines the needs for maintaining and upgrading existing facilities. These scenarios require the school system to plan carefully and prudently to provide resources to meet student needs over the next several years.

In conclusion, the Lenoir City School System has committed itself to financial excellence for many years. The school system has not required the passage of new taxes to fund programs in over twenty-five years. In addition, the school system's system of budgeting and internal financial controls is well regarded. The school system plans to continue its sound financial management to meet the challenges of the future.

Business-Type Activities

Electric

The Electric Department had continued revenue growth in FY 2018. The Electric Department is LCUB's financially healthiest department. The Electric Department experienced modest growth in the number of customers and is expecting continued growth over the next year. In FY 2018, the Utilities Board completed construction of the new administrative and operation facility. Many new technologies are planned for the future of the Electric Department. A 288 count fiber ring is being installed around the Electric Department's distribution system. Other technical projects for the Electric Department, to be completed in FY 2019, are a new SCADA (Supervisory Control and Data Acquisition) system, a GIS

(Geographical Information System), an AMI (Automated Metering Infrastructure) system, and two new substations. The Electric Department is moving toward a self-healing grid, which is made possible by adding the new technologies listed above. The self-healing grid will tremendously reduce outage times and increase customer overall satisfaction. The Electric Department will deploy new mobile workforce solutions in the field, utilized by our field personnel. Mobile workforce will help us become a more efficient electric utility.

Water

The Water Department is experiencing slow but steady growth in customer base with little growth in service territory. Current rates and future approved rates should provide adequate cash flow to fund the capital budget for FY 2019. The AMI water project has been completed and has realized an increase in revenue with the added benefit of monitoring inactive accounts for unauthorized use.

Gas

The Gas Department is seeing steady growth of customer base and small but steady growth of service territory. The Gas Department will continue adjusting rates monthly to reflect the price of wholesale natural gas. The gas AMI project is completed with the exception of the replacement of some rotary meters that will not work with the new ITRON system. Monitoring inactive accounts for unauthorized use has shown to be a benefit since some accounts go inactive in the warm months.

Sewer

The Sewer Department continues to see slight but stable growth. No rate increase has been implemented since 2011 but the implementation of the AMI has resulted in a slight increase in revenue. The Sewer Department does not foresee any significant growth in customer base or service territory.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City of Lenoir City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Jimmy Wilburn, City Recorder/Treasurer, at City of Lenoir City, P.O. Box 445, Lenoir City, Tennessee 37771.

CITY OF LENOIR CITY, TENNESSEE

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,142,217	\$ 28,701,236	\$ 33,843,453
Receivables:			
Property taxes (net of allowance for doubtful accounts of \$62,166)	97,377	-	97,377
Customers (net of allowance for doubtful accounts of \$902,033)	-	14,821,015	14,821,015
Unbilled property taxes	2,590,000	-	2,590,000
Unbilled revenue	-	7,807,174	7,807,174
Due from governmental units	681,803	43,467	725,270
Other	185,186	2,550,958	2,736,144
Internal balances	219,229	-	219,229
Inventories	-	1,856,566	1,856,566
Prepaid expenses	-	1,115,381	1,115,381
Total current assets	8,915,812	56,895,797	65,811,609
Restricted assets:			
Cash and cash equivalents	9,036,226	57,825	9,094,051
Receivables:			
Due from governmental units	6,396,106	-	6,396,106
Other	81,352	-	81,352
Inventories	-	-	-
Prepaid expenses	20,220	-	20,220
Total restricted assets	15,533,904	57,825	15,591,729
Capital assets:			
Land	2,995,790	7,293,902	10,289,692
Depreciable capital assets	75,826,216	351,699,563	427,525,779
	78,822,006	358,993,465	437,815,471
Less: Accumulated depreciation	27,053,871	111,867,418	138,921,289
	51,768,135	247,126,047	298,894,182
Construction work in progress	-	21,308,957	21,308,957
Total capital assets	51,768,135	268,435,004	320,203,139
Other assets:			
Investment in joint venture	819,217	-	819,217
Net pension asset	588,618	-	588,618
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	1,440,224	1,440,224
Total other assets	1,407,835	1,440,224	2,848,059
Total assets	77,625,686	326,828,850	404,454,536
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to the measurement date	1,607,074	2,299,043	3,906,117
OPEB contributions subsequent to the measurement date	128,064	-	128,064
Changes of assumptions - pension plan	1,296,684	1,086,953	2,383,637
Change in proportionate share and difference between contributions and proportionate share	69,275	-	69,275
Differences between expected and actual earnings on pension plan investments	335,869	26,586	362,455
Differences between expected and actual experience - pension	3,099,563	2,588,713	5,688,276
Total deferred outflows of resources	6,536,529	6,001,295	12,537,824

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Statement of Net Position
(Continued)

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 573,465	\$ 29,392,998	\$ 29,966,463
Warrants payable	-	-	-
Retainage payable	-	253,280	253,280
Accrued liabilities	284,064	5,039,893	5,323,957
Other accounts payable	-	153,570	153,570
Internal balances	-	219,229	219,229
Customer deposits	-	6,815,612	6,815,612
Customer advances for construction	-	1,616,496	1,616,496
Compensated absences	389,265	-	389,265
Long-term liabilities:			
Due within one year	721,236	4,426,516	5,147,752
Total current liabilities (payable from current assets)	1,968,030	47,917,594	49,885,624
Current liabilities (payable from restricted assets):			
Warrants payable	2,535	-	2,535
Long-term liabilities:			
Due within one year	530,000	9,000	539,000
Matured interest payable	-	1,533	1,533
Accounts payable	350,518	-	350,518
Accrued liabilities	2,244,206	-	2,244,206
Deferred revenue	5,593	-	5,593
Funds Held in Trust	2,302	-	2,302
Compensated absences	18,517	-	18,517
Total current liabilities (payable from restricted assets)	3,153,671	10,533	3,164,204
Long-term liabilities:			
Compensated absences	1,057,682	-	1,057,682
Due in more than one year	23,618,245	81,049,847	104,668,092
Net OPEB liability	3,186,317	8,815,347	12,001,664
Net pension liability	4,782,220	4,490,181	9,272,401
Other liabilities:			
Advances from Tennessee Valley Authority	-	1,479,440	1,479,440
Residential Energy Services Program	-	110,648	110,648
Other	-	-	-
Total liabilities	37,766,165	143,873,590	181,639,755
Deferred inflows of resources:			
Property tax and other revenues	7,774,436	-	7,774,436
Differences between projected and actual earnings on pension plan investments	58,116	495,891	554,007
Change in proportionate share and difference between contributions and proportionate share	34,177	-	34,177
Differences between expected and pension plan actuarial experience	1,780,278	-	1,780,278
Change in assumptions - OPEB	85,629	-	85,629
Total deferred inflows of resources	9,732,636	495,891	10,228,527
Net position:			
Net investment in capital assets	26,898,654	182,949,641	209,848,295
Restricted:			
Community Development	5	-	5
DEA asset forfeiture	74,113	-	74,113
Debt service - Lenoir City Utilities Board	-	57,825	57,825
Debt service - Schools	1,007,778	-	1,007,778
Debt service - City	205,684	-	205,684
Debt service - Event Center	251,460	-	251,460
Drug enforcement	10,762	-	10,762
Food service	350,842	-	350,842
Pension asset - Schools	588,618	-	588,618
Rockin' the docks	10,967	-	10,967
Civil war signs	26	-	26
Beautification board	300	-	300
Sexual offender registry	23	-	23
LC auxiliary police	9,261	-	9,261
Schools	3,670,352	-	3,670,352
State street aid	58,049	-	58,049
Sanitation Fund	31,208	-	31,208
Downtown VIP Fund	5,394	-	5,394
Capital projects - City	712,438	-	712,438
Unrestricted	2,777,480	5,453,198	8,230,678
Total net position	\$ 36,663,414	\$ 188,460,664	\$ 225,124,078

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

CITY OF LENOIR CITY, TENNESSEE

Statement of Activities

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 2,795,950	\$ 11,900	\$ 17,697	\$ 983,785	\$ (1,782,568)	\$ -	\$ (1,782,568)
Public safety	3,308,808	518,649	215,803	511,030	(2,063,326)	-	(2,063,326)
Drug enforcement	13,770	19,240	-	-	5,470	-	5,470
Highways and streets	3,141,173	8,636	500	1,839,059	(1,292,978)	-	(1,292,978)
State street aid	206,074	-	288,802	-	83,728	-	83,728
Sanitation	335,533	368,151	-	-	32,618	-	32,618
Culture and recreation	1,206,958	349,457	47,428	36,773	(773,300)	-	(773,300)
Downtown VIP	41,030	-	40,299	-	(731)	-	(731)
DEA asset forfeiture	-	21,791	-	-	21,791	-	21,791
Education	22,994,259	324,182	12,334,605	-	(10,335,472)	-	(10,335,472)
Interest and fiscal charges	377,729	-	-	-	(377,729)	-	(377,729)
Total governmental activities	34,421,284	1,622,006	12,946,134	3,370,647	(16,482,497)	-	(16,482,497)
Business-type activities:							
Lenoir City Utilities Board	171,963,317	182,978,077	-	441,652	-	11,456,412	11,456,412
Stormwater	457,072	493,455	-	-	-	36,383	36,383
Total business-type activities	172,420,389	183,471,532	-	441,652	-	11,492,795	11,492,795
Total primary government	\$ 206,841,673	\$ 185,093,538	\$ 12,946,134	\$ 3,812,299	(16,482,497)	11,492,795	(4,989,702)
General revenues:							
Taxes:							
Sales taxes					6,600,394	-	6,600,394
Property taxes					7,636,225	-	7,636,225
In-lieu of tax					425,643	-	425,643
Business taxes					381,256	-	381,256
Beer tax					609,570	-	609,570
Gas taxes					17,388	-	17,388
Excise taxes					18,004	-	18,004
Hotel/Motel tax					355,727	-	355,727
Adequate facilities tax					140,651	-	140,651
Other taxes					166,036	-	166,036
Interest earned					57,129	103,656	160,785
OPED income					97,176	-	97,176
Contributions					62,734	-	62,734
Miscellaneous					10,046	133,944	143,990
Transfer to Stormwater					(1,849,666)	1,849,666	-
In-lieu of tax - enterprise fund transfers					3,469,988	(3,469,988)	-
Gain (loss) on sale of fixed assets					75,128	-	75,128
Total general revenues and transfers					18,273,429	(1,382,722)	16,890,707
Change in net position					1,790,932	10,110,073	11,901,005
Net position, beginning of the year, as previously stated					36,108,510	182,917,498	219,025,008
Prior period adjustment (See Note 23)					1,216,426	-	1,216,426
Cumulative effect of change in accounting principle (See Note 8)					(2,452,454)	(4,566,907)	(7,019,361)
Net position, beginning of the year, as restated					34,872,482	178,350,591	213,223,073
Net position - ending					\$ 36,663,414	\$ 188,460,664	\$ 225,124,078

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

CITY OF LENOIR CITY, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2018

(With Comparative Totals for June 30, 2017)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2018	2017
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,290,060	\$ -	\$ 852,157	\$ 5,142,217	\$ 5,327,767
Receivables:					
Property taxes (net of allowance for doubtful accounts of \$62,166)	97,377	-	-	97,377	121,636
Unbilled property taxes	2,590,000	-	-	2,590,000	2,614,000
Due from governmental units	354,487	-	327,316	681,803	998,453
Due from other funds	304,703	-	42,988	347,691	64,688
Other	185,186	-	-	185,186	170,900
Restricted assets:					
Cash and cash equivalents	226,261	6,913,253	1,896,712	9,036,226	9,879,923
Receivables:					
Due from governmental units	-	6,033,754	362,352	6,396,106	6,521,883
Due from other funds	-	-	54,668	54,668	66,132
Prepaid expenses	81,352	-	-	81,352	-
Other	-	-	-	-	-
Inventories	-	-	20,220	20,220	29,319
	<u>\$ 8,129,426</u>	<u>\$ 12,947,007</u>	<u>\$ 3,556,413</u>	<u>\$ 24,632,846</u>	<u>\$ 25,794,701</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities (payable from current assets):					
Accounts payable	\$ 185,491	\$ -	\$ 387,974	\$ 573,465	\$ 77,273
Accrued liabilities	284,064	-	-	284,064	223,018
Due to other funds	11,780	-	-	11,780	13,187
Compensated absences	389,265	-	-	389,265	392,070
Liabilities (payable from restricted assets):					
Warrants payable	-	2,378	-	2,378	1,028,230
Accounts payable	-	204,765	145,910	350,675	739,916
Accrued liabilities	-	2,031,224	212,982	2,244,206	911,978
Grant revenue received in advance	-	-	5,593	5,593	1,292
Compensated absences	-	18,517	-	18,517	237,570
Due to other funds	-	33,868	137,482	171,350	85,903
Funds held in trust	-	-	2,302	2,302	9,093
Total liabilities	870,600	2,290,752	892,243	4,053,595	3,719,530

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Balance Sheet - Governmental Funds
(Continued)June 30, 2018
(With Comparative Totals for June 30, 2017)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2018	2017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
(CONTINUED)					
Deferred inflows of resources:					
Property taxes - unbilled	\$ 2,590,000	\$ 5,082,418	\$ -	\$ 7,672,418	\$ 8,095,136
Other	102,018	-	-	102,018	-
Total deferred inflows of resources	2,692,018	5,082,418	-	7,774,436	8,095,136
Fund balances:					
Nonspendable:					
Inventories	-	-	20,220	20,220	29,319
Prepaid expenses / deposits	-	-	-	-	-
Restricted:					
Rockin the Docks	10,967	-	-	10,967	20,706
Civil War Signs	26	-	-	26	398
Beautification Board	300	-	-	300	300
Sexual offender registry	23	-	-	23	1,135
LC auxiliary police fund	9,261	-	-	9,261	8,511
LC Playground Project	-	-	-	-	-
Cancer fundraiser	-	-	-	-	-
Scholarship	-	-	-	-	-
General purpose school fund	-	5,573,837	-	5,573,837	6,580,144
Community development fund	-	-	5	5	1
Drug enforcement fund	-	-	10,762	10,762	15,562
State street aid fund	-	-	58,049	58,049	55,385
DEA asset forfeiture fund	-	-	74,113	74,113	58,400
Federal projects schools fund	-	-	100,358	100,358	100,358
Cafeteria fund	-	-	330,622	330,622	354,325
Debt service fund	205,684	-	-	205,684	393,080
Debt service fund - schools	-	-	1,007,778	1,007,778	890,407
Debt service fund - event center	-	-	251,460	251,460	250,220
Capital projects - city fund #2	-	-	-	-	-
Capital projects - schools fund	-	-	61,763	61,763	61,763
Committed	-	-	-	-	-
Assigned:					
DVIP fund	-	-	5,394	5,394	6,010
Sanitation fund	-	-	31,208	31,208	31,730
Capital projects - city fund	-	-	712,438	712,438	767,103
Unassigned	4,340,547	-	-	4,340,547	4,355,178
Total fund balances	4,566,808	5,573,837	2,664,170	12,804,815	13,980,035
	\$ 8,129,426	\$ 12,947,007	\$ 3,556,413	\$ 24,632,846	\$ 25,794,701

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

CITY OF LENOIR CITY, TENNESSEE

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2018

Total fund balances--governmental funds		\$ 12,804,815
Net investment in equity interest in joint venture with Loudon County for the operation and management of the Career Center.		819,217
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$78,822,006, and the accumulated depreciation is (\$27,053,871).		51,768,135
Pension and OPEB activity not reported on the fund statements:		
Net pension asset	\$ 588,618	
Deferred outflows -		
Pension contributions made after the net pension liability measurement date	1,607,074	
OPEB contributions subsequent to the measurement date	128,064	
Change in assumptions - pension	1,296,684	
Change in proportionate share and difference between contributions and proportionate share	69,275	
Difference between projected and actual earnings on pension plan investments	335,869	
Differences between expected and actual experience - pension plan	3,099,563	
Net pension liability	(4,782,220)	
Deferred inflows -		
Differences between expected and actual earnings on pension plan investments	(58,116)	
Change in proportionate share and difference between contributions and proportionate share	(34,177)	
Change in assumptions - OPEB	(85,629)	
Differences between expected and actual pension plan actuarial experience	<u>(1,780,278)</u>	384,727
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	(24,869,481)	
Compensated absences	(1,057,682)	
Other postemployment benefits	<u>(3,186,317)</u>	<u>(29,113,480)</u>
Total net position--governmental activities		\$ <u>36,663,414</u>

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

CITY OF LENOIR CITY, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	General Fund	General Purpose School Fund	Other Governmental Funds	Governmental Funds 2018	Governmental Funds 2017
Revenues:					
Local taxes	\$ 4,980,719	\$ 2,123,580	\$ -	\$ 7,104,299	\$ 6,919,931
Licenses and permits	111,791	-	-	111,791	245,761
City court	299,562	-	-	299,562	310,234
Revenue from use of facilities and services	460,000	-	-	460,000	334,937
Intergovernmental revenue	1,019,964	17,831,189	5,632,649	24,483,802	24,195,366
Fines and forfeitures	-	-	54,303	54,303	26,319
Charges for services	-	-	604,272	604,272	732,502
Miscellaneous revenue	1,145,041	228,166	88,902	1,462,109	1,018,603
Total revenues	8,017,077	20,182,935	6,380,126	34,580,138	33,783,653
Expenditures:					
Current:					
General government	3,840,686	-	-	3,840,686	3,339,396
Public safety	3,547,554	-	-	3,547,554	3,280,087
Drug enforcement	-	-	30,908	30,908	39,958
Highways and streets	677,034	-	-	677,034	865,405
State street aid	-	-	-	287,461	240,180
Sanitation	-	-	335,533	335,533	329,514
Culture and recreation	1,275,715	-	-	1,275,715	1,011,397
Downtown VIP	-	-	41,029	41,029	33,759
Community development	-	-	-	-	295,483
DEA asset forfeiture	-	-	12,762	12,762	-
Capital projects	-	-	3,135,835	3,135,835	11,008,860
Education	-	23,553,453	2,201,285	25,754,738	21,968,359
Debt service:					
Principal retirement	1,808,211	-	515,000	2,323,211	1,391,776
Interest and fiscal charges	341,751	-	331,836	673,587	654,482
Total expenditures	11,490,951	23,553,453	6,891,649	41,936,053	44,458,656
Revenues over (under) expenditures	(3,473,874)	(3,370,518)	(511,523)	(7,355,915)	(10,675,003)

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
(Continued)For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2018	2017
Other financing sources (uses):					
Other loans issued	\$ -	\$ 1,961,159	\$ -	\$ 1,961,159	\$ -
Interfund transfers - in	59,656	184,000	-	243,656	984,839
Interfund transfers - out	(184,000)	-	(33,140)	(217,140)	(984,839)
In lieu of tax - Lenoir City Utilities	3,385,718	-	-	3,385,718	3,101,441
Issuance of notes	-	-	588,250	588,250	8,989,114
Total other financing sources (uses)	3,261,374	2,145,159	555,110	5,961,643	12,090,555
Net changes in fund balances	(212,500)	(1,225,359)	43,587	(1,394,272)	1,415,552
Fund balance, beginning of the year, as previously stated	4,779,308	6,580,144	2,620,583	13,980,035	13,980,035
Cumulative effect of change in accounting principle (See Note 23)	-	219,052	-	219,052	-
Fund balance, beginning of the year, as restated	4,779,308	6,799,196	2,620,583	14,199,087	13,980,035
Fund balance, ending	\$ 4,566,808	\$ 5,573,837	\$ 2,664,170	\$ 12,804,815	\$ 29,375,622

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

CITY OF LENOIR CITY, TENNESSEE

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

Total net change in fund balances--governmental funds	\$ (1,394,272)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,022,539) is less than capital outlays (\$4,500,144) in the period.	2,477,605
Noncash exchange of fixed asset included in additions	(12,129)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,287,233
Bond and note proceeds are reported in governmental funds as revenues. However, they are not reported in the statement of activities but rather as a liability in the statement of net position.	(2,549,408)
In the statement of activities, certain operating expenses -- compensated absences (sick pay and vacation) -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave used exceeded the amounts earned by (\$238,014) less \$221,433 decrease in amounts due within one year.	16,581
Loss on sale of assets is reported as an expense on the statement of activities, but not reported on the governmental funds financial statements.	(1,146)
In the statement of activities, certain operating expenses -- other postemployment benefits -- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
OPEB income is not reported in the fund statements.	97,176
OPEB expense is not reported in the fund statements.	(186,414)
Pension income/negative expense is not reported in the fund statements.	2,308,348
Pension expense recorded in accordance with GASB 68 is not recorded in the fund statements.	(78,676)
Pension contributions made after the net pension liability date are reported as Deferred Outflows of Resources. However, they are expensed in the fund statements.	702,216
Noncash operating transfer of long-term assets and liabilities to Stormwater Fund - a proprietary fund.	<u>(1,876,182)</u>
Change in net position of governmental activities	<u>\$ 1,790,932</u>

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

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Revenues:				
Local taxes:				
Property taxes	\$ 2,513,315	\$ 2,533,315	\$ 2,542,818	\$ 2,418,804
Penalty and interest	24,290	24,290	19,974	18,877
Pilot agreement	13,618	13,278	-	-
Local sales tax	850,000	980,000	964,207	961,113
Wholesale beer tax	500,000	570,000	545,089	563,269
Wine tax	-	60,000	60,450	-
Business tax	325,000	350,000	381,256	382,876
Cable television franchise tax	100,000	111,000	111,198	113,163
Hotel/motel tax	330,000	370,000	355,727	344,439
Total local taxes	4,656,223	5,011,883	4,980,719	4,802,541
Licenses and permits:				
Alcoholic beverage licenses	4,500	4,500	4,500	4,400
Liquor license	5,500	5,723	5,050	6,400
Peddlers permits	-	400	420	70
Building permits	75,000	99,000	99,891	232,276
Other permits	1,100	2,300	1,930	2,615
Total licenses and permits	86,100	111,923	111,791	245,761
City Court:				
Court fines and costs	275,000	300,000	298,512	309,314
Parking fines	20	-	-	20
Sex offender registration	-	-	1,050	900
Total city court	275,020	300,000	299,562	310,234
Revenue from use of facilities and services:				
Event Center	100,000	300,000	245,899	81,052
Recreation fees	40,500	42,950	40,422	48,448
Special services - police department	60,000	25,000	77,269	104,091
Special services - fire department	50	6,556	6,581	7,173
Special services - street department	30,000	5,000	8,556	9,951
Swimming pool fees	40,000	30,000	48,186	51,812
Rental income - parks and recreation	41,400	36,049	15,390	11,645
Rental income - Career Center	17,000	20,765	17,697	20,765
Total revenue from use of facilities and services	328,950	466,320	460,000	334,937
Intergovernmental revenues:				
FEMA grant	-	-	22,225	-
TEMA grant	-	-	84,463	-
Bullet Proof Vest Grant	-	3,216	3,216	-
Lenoir City Housing Authority - in lieu of tax	25,773	28,646	28,646	25,773
Highway Safety Grant	24,000	24,500	31,253	566
State law enforcement education	13,800	13,800	13,800	12,000
State Fire Safety Grant	11,000	9,600	9,600	10,800
State of Tennessee sales tax	680,000	745,000	736,511	716,234
State of Tennessee income tax (recoup)	60,000	(106,187)	(91,635)	-

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Revenues (continued):				
Intergovernmental revenues (continued):				
State beer tax	\$ 5,000	\$ 5,500	\$ 4,032	\$ 4,173
State alcoholic beverage tax	32,000	36,000	33,816	36,053
Gasoline inspection fee	20,000	17,500	17,388	17,455
Telecommunications tax	800	7,000	9,126	644
Tennessee Valley Authority tax replacement	100,000	101,000	99,520	99,032
State of Tennessee corporate excise tax	10,000	18,004	18,003	17,931
Total intergovernmental revenues	982,373	903,579	1,019,964	940,661
Miscellaneous revenues:				
Interest earned	7,000	17,060	20,682	9,495
Sale of equipment	-	35,227	35,227	8,572
Sale of land	-	-	-	284,321
Insurance recoveries	5,000	22,000	23,143	14,267
Donations/contributions from developers	383,123	383,123	988,467	381,789
Christmas parade	-	500	-	-
Other - Rockin' the Docks	-	-	44,956	78,885
Other	1,221	3,350	32,566	8,392
Total miscellaneous revenues	396,344	461,260	1,145,041	785,721
Total revenues	6,725,010	7,254,965	8,017,077	7,419,855
Expenditures:				
General government:				
Legislative:				
Salaries	118,413	118,413	118,820	82,723
Christmas bonus	54	54	54	-
OASI	9,063	9,063	9,063	6,328
Employee education and training	1,500	1,500	103	400
Board and committee members	3,000	3,000	2,750	2,675
Publications, subscriptions and dues	2,415	2,415	2,415	2,415
Public relations	40,000	35,000	34,571	52,707
Telephone/cell phones	600	600	600	-
Other professional services	2,133	2,133	2,132	2,132
Travel	3,500	3,500	1,068	2,933
Office supplies and materials	1,500	1,500	168	1,308
Total legislative	182,178	177,178	171,744	153,621
City court:				
City judge	68,667	68,667	68,667	66,992
Salaries	95,669	102,352	99,726	92,303
Vacation sell back	1,000	500	291	710
Christmas bonus	162	162	162	162
OASI	12,661	13,133	12,842	12,165
Employee education and training	2,000	500	825	1,174
Dues and subscriptions	400	400	25	-
Telephone	2,000	2,000	1,687	1,968
Travel	3,000	3,000	2,392	1,645

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
General government (continued):				
City court (continued):				
Computer software and support	\$ 3,000	\$ 3,000	\$ 3,242	\$ 3,436
Office supplies	4,000	4,000	2,196	1,446
Operating supplies	2,000	2,000	33	1,974
Uniforms	500	500	157	420
Total city court	195,059	200,214	192,245	184,395
Executive:				
City administrator	94,175	94,175	94,182	90,554
Salaries	111,794	115,377	114,901	93,548
Vacation Pay	1,000	1,539	1,539	162
Christmas bonus	202	218	217	-
OASI	15,849	16,165	16,093	13,917
Employee education	2,000	2,000	689	1,821
Dues and subscriptions	-	-	2,125	-
Telephone	1,000	1,500	1,254	811
Travel	1,800	2,500	1,897	1,986
Office supplies	2,000	3,000	3,911	2,274
Operating supplies	-	-	45	-
Uniforms	-	500	390	-
Gas, oil and diesel fuel	-	750	856	-
Vehicle maintenance and repair	-	1,000	904	-
Total executive	229,820	238,724	239,003	205,073
Financial administration:				
Recorders	69,765	69,765	69,765	68,063
Salaries	150,015	150,015	151,285	139,962
Wages	3,000	11,257	10,140	4,666
Vacation pay	4,000	4,111	4,111	3,882
Christmas bonus	269	271	271	217
OASI	17,369	18,010	17,994	16,531
Employee education and training	3,000	2,500	1,235	1,635
Publications, subscriptions and dues	300	500	-	-
Telephone	1,000	1,000	1,012	150
Tax roll notices postage	5,100	5,100	4,797	4,873
Travel	3,000	3,000	2,362	3,432
Employee automobile allowance	750	1,000	923	739
Other contractual services	32,000	25,000	23,538	21,540
Office supplies	10,000	10,000	6,593	12,071
Operating supplies	-	-	267	7,300
Uniforms	500	500	458	712
Bank service charges	500	-	59	585
Total financial administration	300,568	302,029	294,810	286,359
City attorney:				
City attorney - shared expense	49,841	49,841	49,841	46,125
Christmas bonus	55	55	54	54
OASI	3,817	3,817	3,817	3,533
Health insurance reimbursement	-	-	-	-
Legal services	-	-	-	4,500
Other professional services	15,000	15,000	10,255	16,581
Judgments and awards	-	500	454	-
Total city attorney	68,713	69,213	64,421	70,793

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
General government (continued):				
Data processing:				
Salaries	\$ 60,785	\$ 62,906	\$ 62,141	\$ 59,173
Highway 321	-	-	4,194	-
Wages part-time	1,000	1,000	129	607
Vacation pay	2,168	2,222	2,222	2,168
Christmas bonus	55	55	54	54
OASI	4,897	5,064	715	4,743
Education and training	1,000	1,500	1,077	2,155
Communication	1,200	1,200	823	1,066
Travel	500	-	-	-
Office supplies	1,000	1,000	139	192
Other operating supplies	22,000	25,000	24,562	22,662
Total data processing	94,605	99,947	96,056	92,820
City hall building:				
Utilities	75,000	60,000	58,629	32,755
Utilities - SunTrust building	-	-	-	21,178
Telephone	7,000	-	379	2,208
Repair and maintenance services	40,000	75,000	87,078	47,316
Building maintenance - SunTrust building	-	-	-	30,763
Lease payments on copier	10,000	10,000	11,343	10,884
Other contractual services	5,000	1,000	739	446
Operating supplies	20,000	25,000	22,364	22,771
Buildings	-	-	40,986	-
Office machinery and equipment	-	-	23,560	-
Total city hall building	157,000	171,000	245,078	168,321
Industrial development:				
Donations - industrial recruitment	41,300	41,300	41,226	34,226
Total industrial development	41,300	41,300	41,226	34,226
Other general government:				
OASI	-	-	-	19
Hospital and health	1,068,521	1,068,521	1,029,786	1,041,787
Employee retirement 401K	10,000	10,000	6,570	12,470
Employee retirement - defined benefit plan	300,000	210,000	167,522	302,465
Employee retirement - defined benefit plan TCRS	100,000	630,000	568,901	105,716
Employee retirement - defined benefit plan expense	50,000	75,000	73,160	79,216
Workmen's compensation	2,000	2,000	-	-
Unemployment insurance	5,000	2,000	3,330	3,578
Postage	6,000	6,000	6,997	6,660
Publications, subscriptions and dues	10,000	10,000	5,896	7,114
Telephone	30,000	30,000	29,186	26,774
Fire hydrant maintenance	10,000	10,000	10,000	10,000
Street lighting and traffic control	40,000	30,000	33,535	29,856
Health and medical	2,000	3,500	3,664	9,633
Auditing and accounting services	60,000	60,000	56,159	53,257
Architectural/engineering	2,500	2,500	-	-
Consultants services	2,500	25,000	33,312	2,785
Cable TV Authority	3,500	6,000	5,990	-
Computer consultant	20,000	10,000	9,532	18,316

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
General government (continued):				
Other general government (continued):				
Safety incentive program	\$ 3,000	\$ 4,096	\$ 4,096	\$ -
Insurance	372,000	380,000	379,917	355,440
Smokey Mountain Service	1,000	1,000	-	-
Donation - Senior Citizen Center	2,500	2,500	2,500	2,500
Donation - Child Advocacy	4,000	4,000	4,000	4,000
Donation - Loudon Co. Visitors Bureau	30,000	30,000	30,000	30,000
Donation - Loudon County Project Lifesaver	600	600	-	600
Donation - Loudon Chamber of Commerce	7,050	7,050	7,050	14,100
Donation - Iva's Place	5,000	5,000	5,000	5,000
Donation - Senior Home Assistance Services	500	500	500	500
Donation - Animal Shelter	5,000	5,000	5,000	5,000
Donation - Loudon County Young Life	1,000	1,000	1,000	1,000
Donation - Good Samaritan Center	10,000	10,000	10,000	10,000
Donation - Child and Family	500	1,000	1,000	500
Donation - Lenoir City Museum	1,500	1,500	1,500	4,502
Donation - CASA	500	500	500	500
Donation - Loudon County Health Improvement	500	500	500	500
Total other general government	2,166,671	2,644,767	2,496,103	2,143,788
Total general government	3,435,914	3,944,372	3,840,686	3,339,396
Public safety:				
Police department:				
Salaries - chief	87,674	87,674	87,674	85,536
Salaries	1,252,030	1,252,030	1,133,048	1,146,988
Salaries - overtime	50,000	85,000	86,740	112,064
Part-time wages	51,500	145,000	161,653	63,777
Overtime	50,000	15,000	13,890	34,672
Holiday pay	-	40,000	38,395	34,754
GHSO overtime	24,000	15,000	4,772	808
Vacation pay	25,000	23,751	23,751	24,067
Christmas bonus	2,160	2,041	2,041	1,933
Supplement pay	13,200	12,000	12,000	12,600
OASI	119,001	127,563	118,950	115,338
Employee education and training	8,000	8,000	6,292	6,649
Dues and subscriptions	1,000	1,000	1,090	816
Telephone	14,000	10,000	8,109	6,307
Medical, dental, etc.	1,500	200	445	243
Repair and maintenance - equipment	5,000	5,000	3,467	3,774
Leasing of copier	3,000	3,000	3,534	1,990
Travel	8,500	8,500	8,629	8,656
Contractual service/computer software support	3,213	3,213	-	-
Office supplies	5,700	7,000	5,823	3,173
Uniforms and clothing	15,000	20,911	21,789	8,107
Ammunition	7,500	8,000	7,901	6,886

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Public safety (continued):				
Police department (continued):				
Educational supplies	\$ -	\$ 17,242	\$ 23,072	\$ -
Other operating supplies	15,000	25,000	26,514	18,949
Gas, oil and diesel fuel	70,000	55,000	69,861	57,776
Vehicle maintenance and repair	25,000	30,000	30,489	41,613
Machinery and equipment	-	-	237,914	-
Sexual offender registry	-	-	2,161	1,892
Total police department	1,856,978	2,007,125	2,140,004	1,799,368
Fire department:				
Salaries - chief	67,353	67,353	67,353	65,711
Salaries	789,402	789,402	768,856	749,097
Salaries - overtime	75,000	144,692	148,520	177,692
Wages	50,000	92,045	94,047	76,967
Holiday - overtime	10,000	12,000	10,711	11,216
Vacation pay	25,000	17,029	17,029	19,734
Christmas bonus	2,004	1,570	1,570	1,787
Supplement pay	10,800	9,600	9,600	10,800
OASI	77,898	77,898	85,055	84,574
Employee education and training	11,400	11,500	9,616	5,367
Utilities	11,000	11,000	8,908	8,135
Telephone	10,000	10,000	7,385	7,194
Medical, dental, etc.	9,250	9,250	125	78
Repair and maintenance - building	1,000	1,000	888	5,749
Repair and maintenance - services	1,500	1,500	-	554
Travel	3,000	3,000	1,897	2,838
Other contractual services	2,000	2,500	2,445	2,813
Office supplies	500	500	247	218
Clothing and uniforms	14,000	14,000	9,983	10,614
Operating supplies	20,000	25,000	24,008	23,266
Gas, oil and diesel fuel	10,000	10,000	9,373	6,559
Vehicle parts/repairs	25,000	25,000	20,844	39,715
Rent	6,852	6,852	6,851	6,852
Total fire department	1,232,959	1,342,691	1,305,311	1,317,530
Codes enforcement:				
Salaries	42,759	85,519	86,277	126,038
Vacation sell back	2,000	1,621	1,622	2,386
Christmas bonus	54	108	108	162
OASI	3,428	6,675	7,197	9,773
Employee education and training	1,500	1,500	530	935
Dues and subscriptions	600	600	600	950
Telephone	1,500	2,000	1,864	2,867
Medical, dental	100	-	-	-
Lenoir City Stormwater Program	-	-	-	11,925
Other professional services	2,500	2,500	-	1,000
Travel	1,500	1,500	888	1,046
Board of codes enforcement appeals	1,000	1,000	132	24

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Public safety (continued):				
Codes enforcement (continued):				
Office supplies	\$ 1,250	\$ 1,500	\$ 1,258	\$ 1,734
Clothing and uniforms	1,000	1,000	418	759
Property maintenance	21,000	15,000	475	2,076
Gas, oil and diesel fuel	1,200	1,200	816	1,296
Motor vehicle parts	2,250	1,500	54	218
Total codes enforcement	83,641	123,223	102,239	163,189
Total public safety	3,173,578	3,473,039	3,547,554	3,280,087
Highways and streets:				
Street superintendent	68,667	68,667	68,667	66,992
Salaries	245,006	334,786	332,728	506,035
Overtime - permanent employees	5,000	8,000	5,096	7,063
Wages - permanent employees	13,000	8,000	5,022	27,424
Utility - overtime	20,000	-	338	-
Vacation pay	3,500	8,380	8,380	7,709
Christmas bonus	650	542	542	975
OASI	27,220	32,432	32,047	46,977
Employee education and training	360	600	637	-
Utility service	8,000	8,000	5,065	4,098
Telephone	350	2,500	2,127	2,556
Medical, dental, etc.	500	500	-	-
Engineering services	2,000	2,000	-	-
Repair and maintenance - building	1,000	1,000	412	-
Repair and maintenance - radios	300	1,000	-	-
Repair and maintenance - roads	150,000	150,000	95,675	86,296
Travel	400	500	-	-
Other contracted services	5,000	5,000	1,439	583
Landfill services	30,000	35,000	37,703	33,565
Office supplies	200	200	15	-
Operating supplies	15,000	18,000	19,128	15,905
Clothing and uniforms	4,000	4,000	2,911	4,854
Gas, oil and diesel fuel	15,000	30,000	27,039	21,511
Vehicle maintenance and repair	15,000	30,000	32,063	32,862
Total highways and streets	630,153	749,107	677,034	865,405
Culture and recreation:				
Parks:				
Parks and recreation director	68,666	68,666	68,667	66,992
Salaries	143,193	178,087	183,000	197,537
Overtime - permanent employees	10,000	10,000	10,142	8,849
Wages - part time employees	15,000	30,000	35,495	37,326
Overtime - part time employees	14,950	16,524	16,602	16,261
Vacation pay	7,200	6,163	6,163	7,606
Christmas bonus	433	379	379	433
OASI	19,804	23,701	24,360	25,314
Employee education and training	1,000	1,000	1,011	836
Utilities	18,000	24,000	21,045	19,580

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Culture and recreation (continued):				
Parks (continued):				
Telephone	\$ 5,000	\$ 5,000	\$ 2,944	\$ 3,036
Medical, dental, etc.	500	500	44	-
Repair and maintenance - services	-	-	-	-
Lenoir City Beautification Board	15,000	30,000	30,506	12,819
Travel	1,000	1,000	520	599
Contractual service	600	600	720	480
Office supplies	3,000	3,000	742	1,741
Operating supplies	20,000	20,000	21,917	27,856
Clothing and uniforms	2,500	2,500	1,637	2,044
Gas, oil and diesel fuel	10,000	10,000	8,519	8,321
Vehicle repair and maintenance	15,000	18,000	15,049	13,698
Equipment parts and repair	1,000	10,000	6,828	-
Special events	12,000	15,000	10,897	18,338
Materials	1,000	1,000	441	-
Machinery and equipment	-	-	67,230	-
Total parks	<u>384,846</u>	<u>475,120</u>	<u>534,858</u>	<u>469,666</u>
Recreation complex and basketball:				
OASI	2,244	2,197	2,340	2,271
Fees of officials (referees)	29,000	28,719	3,972	29,825
Utilities	15,000	15,000	13,139	13,092
Wages	-	-	26,618	-
Operating supplies	<u>40,500</u>	<u>43,145</u>	<u>47,237</u>	<u>42,637</u>
Total recreation complex and basketball	<u>86,744</u>	<u>89,061</u>	<u>93,306</u>	<u>87,825</u>
Memorial building:				
Utilities	18,000	18,000	13,995	13,328
Communication	1,600	1,600	-	-
Contractual service	600	600	720	555
Operating supplies	1,500	1,500	3,901	3,267
Other repair and maintenance supplies	<u>2,500</u>	<u>4,000</u>	<u>3,209</u>	<u>-</u>
Total memorial building	<u>24,200</u>	<u>25,700</u>	<u>21,825</u>	<u>17,150</u>
Event Center:				
Salaries	126,500	163,500	160,201	79,798
Gratuity	-	15,000	15,487	1,875
Vacation pay	-	3,000	2,366	-
Christmas bonus	163	217	217	108
FICA	9,690	13,901	13,641	6,306
Publicity, subscriptions	40,000	40,000	41,031	34,817
Utilities	25,000	50,000	51,880	24,506
Telephone	10,000	15,000	15,201	6,254
Work-comp	100	100	-	-
Repair and maintenance - building	5,000	5,000	5,221	1,966
Leasing of equipment	-	2,000	1,830	738
Travel	3,000	3,000	946	1,368
Contractual services	5,785	6,500	5,981	1,714
Office supplies	1,500	1,500	849	368
Operating supplies	30,000	65,000	77,797	35,354
Clothing and uniforms	1,000	1,000	-	1,025
Machinery and equipment parts	1,000	1,000	7,980	4,197
Special events	<u>15,000</u>	<u>25,000</u>	<u>17,671</u>	<u>14,669</u>
Total Event Center	<u>273,738</u>	<u>410,718</u>	<u>418,299</u>	<u>215,063</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Culture and recreation (continued):				
Pool:				
Wages	\$ 40,000	\$ 40,000	\$ 35,721	\$ 41,549
OASI	3,060	3,060	2,733	3,180
Employees education/training	1,000	1,000	307	-
Utilities	40,000	50,000	48,108	36,309
Telephone	1,200	1,200	1,433	1,918
Repair and maintenance - services	1,500	1,500	-	-
Operating supplies	20,000	20,000	33,029	29,719
Total pool	106,760	116,760	121,331	112,675
Special events:				
Operating supplies - Rockin' the Docks	-	-	54,195	78,845
Total special events	-	-	54,195	78,845
Library:				
Salaries	9,020	5,994	6,026	7,095
Special events	-	-	3,404	-
OASI	690	458	461	542
Utilities	8,000	8,000	7,410	7,936
Operating supplies	3,500	3,500	3,600	3,600
Awards for special services	11,000	11,000	11,000	11,000
Total library	32,210	28,952	31,901	30,173
Total culture and recreation	908,498	1,146,311	1,275,715	1,011,397
Debt service:				
Principal retirement	1,045,652	1,045,651	1,808,211	896,776
Interest and fiscal charges	464,841	377,054	341,751	305,983
Total debt service	1,510,493	1,422,705	2,149,962	1,202,759
Total expenditures	9,658,636	10,735,534	11,490,951	9,699,044
Revenues over (under) expenditures	(2,933,626)	(3,480,569)	(3,473,874)	(2,279,189)
Other financing sources (uses):				
Interfund transfers - in	-	-	59,656	49,717
Interfund transfers - out	(209,000)	(408,567)	(184,000)	(935,122)
Lenoir City Utilities - in lieu of tax	3,142,626	3,385,718	3,385,718	3,101,441
Total other financing sources (uses)	2,933,626	2,977,151	3,261,374	2,216,036
Net change in fund balances	-	(503,418)	(212,500)	(63,153)
Fund balance, beginning of the year	4,779,308	4,779,308	4,779,308	4,842,461
Fund balance, ending	\$ 4,779,308	\$ 4,275,890	\$ 4,566,808	\$ 4,779,308

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

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Revenues:				
Local taxes:				
Property taxes	\$ 110,175	\$ 110,175	\$ 110,185	\$ 110,185
Interest and penalty	710	710	710	710
In lieu of tax	84,270	84,270	84,270	84,270
Local sales tax	<u>1,896,180</u>	<u>1,963,000</u>	<u>1,928,415</u>	<u>1,922,225</u>
Total local taxes	<u>2,091,335</u>	<u>2,158,155</u>	<u>2,123,580</u>	<u>2,117,390</u>
Intergovernmental revenue:				
Loudon County:				
Property taxes	5,272,644	5,056,400	5,082,418	5,343,637
Interest and penalty	15,867	14,710	18,432	19,128
In lieu of taxes - other	-	161,109	166,315	-
Local sales tax	1,994,000	1,978,965	2,007,055	2,046,256
Adequate facilities tax	109,000	127,817	140,651	126,738
Bank excise tax	10,583	11,895	11,896	10,593
Interstate telecommunications tax	<u>2,194</u>	<u>-</u>	<u>-</u>	<u>2,509</u>
Total Loudon County	<u>7,404,288</u>	<u>7,350,896</u>	<u>7,426,767</u>	<u>7,548,861</u>
State of Tennessee:				
Basic education program	9,813,000	9,905,000	9,657,375	9,730,000
School food service - state matching	10,214	9,592	-	-
Driver education	5,459	5,459	-	5,801
Other state education funds	307,189	548,289	561,197	329,369
Career ladder program	41,634	40,862	35,806	41,239
Safe schools grant	10,260	10,010	10,010	10,260
Mixed drink tax	<u>34,000</u>	<u>29,800</u>	<u>115,999</u>	<u>36,956</u>
Total State of Tennessee	<u>10,221,756</u>	<u>10,549,012</u>	<u>10,380,387</u>	<u>10,153,625</u>
U.S. Government:				
Education of the handicapped	<u>19,490</u>	<u>24,035</u>	<u>24,035</u>	<u>19,490</u>
Total U.S. Government	<u>19,490</u>	<u>24,035</u>	<u>24,035</u>	<u>19,490</u>
Total intergovernmental revenue	<u>17,645,534</u>	<u>17,923,943</u>	<u>17,831,189</u>	<u>17,721,976</u>
Miscellaneous revenue:				
Tuition	2,000	1,315	1,615	1,500
Receipt from individual schools	15,000	21,786	24,942	20,295
Day care revenue	6,812	4,641	4,641	-
Interest earned	4,500	26,600	30,920	13,977
Miscellaneous refunds	-	21,047	32,861	23,977

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Revenues (continued):				
Miscellaneous revenue (continued):				
Contribution and gifts	\$ -	\$ 56,084	\$ 62,734	\$ 38,299
Sale of equipment	-	200	200	116
Other charges for services	-	-	59,728	66,495
Lease rentals	-	1,865	2,040	1,213
Insurance recovery	-	3,960	3,960	5,437
Sale of materials	-	4,070	4,070	3,471
Damages recovered from individuals	-	360	450	800
Other revenues	66,265	59,328	5	31,755
Total miscellaneous revenue	94,577	201,256	228,166	207,335
Total revenues	19,831,446	20,283,354	20,182,935	20,046,701
Expenditures:				
Instruction:				
Elementary and secondary:				
Teachers	6,539,199	6,561,226	6,500,114	6,176,599
Career ladder program	28,000	28,000	28,000	28,675
Homebound	1,500	1,500	3,349	1,214
Educational assistants	281,418	283,640	262,756	292,236
Certified substitute teachers	77,363	98,250	98,414	70,186
Non-certified substitute teachers	50,935	33,500	31,965	45,137
Social security	432,662	434,380	396,534	381,089
State retirement	605,388	607,458	585,341	561,918
Life insurance	6,603	6,035	5,685	6,855
Medical insurance	987,654	946,794	970,254	906,890
Dental insurance	25,450	23,239	23,060	23,984
Unemployment compensation	7,037	6,276	3,276	3,874
Medicare	101,188	101,103	94,598	90,744
Maintenance and repair - equipment	22,950	28,030	28,264	12,493
Other contracted services	58,365	65,000	61,117	78,051
Instructional supplies/materials	166,349	197,750	201,073	188,083
Textbooks	144,447	144,447	143,344	144,276
Other charges	6,500	6,500	6,470	9,838
Instruction equipment	208,464	210,524	411,253	504,483
Total elementary and secondary	9,751,472	9,783,652	9,854,867	9,526,625
Special education program:				
Teachers	588,522	567,313	563,113	570,693
Homebound teachers	2,000	2,000	763	747
Clerical personnel	-	-	-	24,080
Educational assistants	164,650	154,511	152,877	152,188
Speech pathologist	46,271	46,271	46,039	44,865
Certified substitute teachers	4,610	8,015	7,275	3,148
Non-certified substitute teachers	9,985	4,010	5,198	10,003
Social security	50,595	48,492	44,133	47,299
State retirement	63,057	60,810	59,463	61,318

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Instruction (continued):				
Special education program (continued):				
Life insurance	\$ 1,210	\$ 1,155	\$ 1,155	\$ 1,210
Medical insurance	91,107	112,327	114,282	87,130
Dental insurance	2,465	3,314	3,340	2,277
Unemployment compensation	1,285	1,205	1,205	1,275
Medicare	11,833	11,341	10,704	11,098
Contracts/private agencies	-	-	78,050	77,502
Other contracted services	69,160	72,980	1,004	1,117
Instructional supplies/materials	1,840	1,400	1,100	711
Other charges	913	1,200	655	418
Special education equipment	750	750	-	3,147
Total special education program	<u>1,110,253</u>	<u>1,097,094</u>	<u>1,090,356</u>	<u>1,100,226</u>
Vocational education program:				
Teachers	525,795	515,406	514,416	453,779
Career ladder program	3,000	-	-	3,000
Extended contracts	20,000	20,000	20,200	20,000
Certified substitute teachers	7,265	7,000	5,388	6,713
Non-certified substitute teachers	4,175	4,455	3,799	3,795
Social security	34,735	33,906	29,405	26,400
State retirement	48,015	46,799	46,530	41,299
Life insurance	510	561	561	510
Medical insurance	81,710	85,675	85,499	71,952
Dental insurance	2,300	2,485	2,471	2,348
Unemployment compensation	540	694	694	540
Medicare	8,124	7,930	7,220	6,481
Maintenance and repair - equipment	500	500	-	349
Instructional supplies/materials	17,823	17,823	16,531	16,121
Other charges	500	500	364	-
Vocational equipment	4,748	236,896	237,708	1,198
Total vocational education program	<u>759,740</u>	<u>980,630</u>	<u>970,786</u>	<u>654,485</u>
Student body education program:				
Other charges	12,800	28,550	25,283	42,011
Total student body education program	<u>12,800</u>	<u>28,550</u>	<u>25,283</u>	<u>42,011</u>
Adult education program:				
Teachers	-	-	4,109	-
Social security	-	-	246	-
State retirement	-	-	373	-
Medical insurance	-	-	347	-
Medicare	-	-	57	-
Total adult education program	<u>-</u>	<u>-</u>	<u>5,132</u>	<u>-</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Instruction (continued):				
Total instruction	\$ 11,634,265	\$ 11,889,926	\$ 11,946,424	\$ 11,323,347
Support services:				
Attendance:				
Supervisor	67,758	67,653	67,652	66,363
Social security	4,203	4,197	3,837	3,776
State retirement	2,157	2,154	2,151	2,110
Life insurance	51	51	51	51
Medical insurance	9,090	9,050	9,046	8,491
Dental insurance	275	240	235	235
Unemployment compensation	54	54	54	54
Medicare	983	981	897	883
Travel	6,525	6,525	3,257	6,046
Other contracted services	40,486	25,250	25,249	25,195
Other supplies/materials	1,000	1,000	546	463
Other charges	3,000	3,000	4,001	622
Total attendance	135,582	120,155	116,976	114,289
Health services:				
CSH Coordinator	79,137	79,095	79,093	77,583
Medical personnel	139,112	129,436	125,603	131,900
Other salaries and wages	14,959	14,895	12,887	10,896
Certified substitute teachers	-	-	300	-
Social security	14,459	13,854	12,850	12,624
State retirement	15,454	15,299	16,281	14,563
Life insurance	306	306	306	306
Medical insurance	30,266	12,760	12,753	28,499
Dental insurance	980	485	479	914
Unemployment compensation	324	324	324	324
Medicare	3,382	3,240	3,005	2,952
Travel	3,500	3,500	2,177	2,289
Drugs/medical supplies	2,140	2,315	1,621	1,020
Other supplies and materials	10,892	10,892	13,348	13,286
Other charges	250	250	121	118
Equipment	-	-	-	9,108
Total health services	315,161	286,651	281,148	306,382
Other student support:				
Guidance personnel	357,977	393,570	392,133	351,476
Registrar	29,489	29,489	29,459	28,648
Other wages	-	-	7,145	80,835
Certified substitute teachers	-	-	1,125	37
Non-certified teachers	-	-	330	27
Social security	24,023	26,230	24,486	26,571

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Support services (continued):				
Other student support (continued):				
State retirement	\$ 33,443	\$ 36,675	\$ 31,752	\$ 39,986
Life insurance	459	357	357	459
Medical insurance	59,900	55,400	62,445	55,976
Dental insurance	2,215	1,626	1,828	2,069
Unemployment compensation	486	378	378	486
Medicare	5,619	6,135	5,711	6,214
Contracts with government agencies	64,000	64,000	60,000	60,000
Evaluation and testing	19,500	13,500	9,288	12,197
Maintenance and repair - equipment	2,000	2,000	2,000	-
Other contracted services	66,900	62,900	60,898	62,914
Other supplies/materials	450	450	425	425
In-service/staff development	-	-	-	617
Equipment	13,070	14,363	14,499	13,234
Total other student support	679,531	707,073	704,259	742,171
Regular instruction program:				
Supervisor/director	106,229	110,568	122,584	104,145
Career ladder program	2,000	-	-	2,000
Librarians	122,057	162,549	162,547	119,021
Education personnel (Common Core)	84,969	84,928	84,926	76,740
Secretary	83,634	44,200	49,449	81,469
Other salaries and wages	81,064	81,064	87,364	-
Certified substitute teacher	-	-	481	-
Non-certified substitute teacher	-	-	301	82
Social security	29,758	29,966	23,886	22,606
State retirement	33,864	33,917	33,916	29,808
Life insurance	360	306	306	360
Medical insurance	41,099	42,153	37,583	33,962
Dental insurance	1,148	1,550	1,425	1,069
Unemployment compensation	378	324	324	378
Medicare	6,960	7,008	7,027	11,953
Travel	12,500	10,000	13,639	7,451
Food supplies	-	-	-	434
Other supplies/materials	6,240	-	-	6,240
In-service/staff development	79,389	80,889	71,663	75,948
Equipment	-	-	-	3,147
Total regular instruction program	691,649	689,422	697,421	576,813
Special education program:				
Supervisor/director	87,117	87,034	87,033	85,268
Psychological personnel	66,532	10,311	10,553	63,815
Secretary	24,562	24,559	-	-
Other salaries and wages	62,312	-	24,956	57,828
Social security	14,913	7,559	7,161	12,032
State retirement	20,390	9,620	10,173	18,705

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Support services (continued):				
Special education program (continued):				
Life insurance	\$ 153	\$ 126	\$ 126	\$ 102
Medical insurance	24,190	17,170	10,236	21,040
Dental insurance	950	493	294	840
Unemployment compensation	162	108	108	108
Medicare	3,488	1,768	1,451	2,814
Maintenance and repair of equipment	400	400	-	-
Travel	2,250	2,250	1,290	2,021
Other contracted services	-	17,640	17,640	-
Other charges	500	500	92	91
Total special education program	<u>307,919</u>	<u>179,538</u>	<u>171,113</u>	<u>264,664</u>
Vocational education program:				
Other supplies and materials	-	773	772	-
Other charges	-	560	560	-
Total vocational education program	<u>-</u>	<u>1,333</u>	<u>1,332</u>	<u>-</u>
Technology:				
Supervisor/director	93,713	93,631	89,520	89,490
Other salaries and wages	160,501	160,413	160,411	157,353
Social security	15,567	15,751	14,351	10,920
State retirement	13,476	13,567	13,229	13,094
Life insurance	204	204	204	204
Medical insurance	27,450	33,065	32,719	30,093
Dental insurance	470	777	775	435
Unemployment compensation	216	216	216	216
Medicare	3,641	3,684	3,356	-
Consultants	5,700	5,350	5,350	4,500
Maintenance and repair service	7,518	7,312	7,312	7,036
Internet connectivity	57,216	60,636	60,636	55,570
Other contracted services	11,600	11,705	11,705	11,250
Software	29,681	29,681	29,680	15,329
In-service/staff development	7,565	7,565	3,125	7,740
Total technology	<u>434,518</u>	<u>443,557</u>	<u>432,589</u>	<u>403,230</u>
Board of education services:				
Board member fees	36,020	35,989	35,988	35,282
Social security	2,234	2,232	2,231	2,187

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Support services (continued):				
Board of education services (continued):				
Medicare	\$ 523	\$ 522	\$ 522	\$ 511
Audit services	39,965	38,095	36,453	36,953
Dues and memberships	11,900	7,910	7,909	8,258
Legal services	10,000	15,475	14,412	7,792
Travel	19,000	16,700	11,622	11,826
Other contracted services	2,500	3,500	3,500	2,000
Other supplies and materials	1,200	1,200	579	686
Insurance	41,585	38,241	38,241	37,803
Trustee's commission	133,300	132,900	123,854	127,416
Worker's compensation insurance	83,775	64,100	62,282	79,921
Criminal investigation of applicants	5,100	5,600	4,533	4,000
Other charges	25,000	27,800	24,828	36,984
Total board of education services	<u>412,102</u>	<u>390,264</u>	<u>366,954</u>	<u>391,619</u>
Office of the superintendent:				
Administrative officer	135,224	135,224	135,224	132,821
Career ladder program	1,000	1,000	1,000	1,000
Bonus payments	-	-	-	1,000
Other salaries and wages	39,840	42,772	40,148	39,258
Social security	10,916	11,098	10,412	9,711
State retirement	13,637	13,731	13,582	13,366
Life insurance	102	102	102	102
Medical insurance	14,125	10,657	10,655	13,176
Dental insurance	475	269	268	435
Unemployment compensation	108	108	108	108
Medicare	2,553	2,596	2,476	2,414
Communication	11,850	13,930	14,035	10,884
Dues and memberships	5,555	5,468	3,028	5,502
Repair and maintenance - equipment	7,780	7,780	7,277	27,429
Postal charges	3,344	4,355	3,557	3,233
Travel	19,285	17,350	13,973	11,907
Other contracted services	9,000	19,570	19,753	14,892
Office supplies	11,350	11,350	7,654	8,312
Other charges	10,750	10,750	6,717	10,858
Total office of the superintendent	<u>296,894</u>	<u>308,110</u>	<u>289,969</u>	<u>306,408</u>
Office of the principal:				
Principals	278,248	278,155	278,153	271,181
Career ladder program	1,000	1,000	1,000	1,000
Assistant principals	434,331	413,860	412,148	421,264
Secretaries	286,641	276,684	274,455	275,086
Social security	62,014	60,122	55,381	56,560
State retirement	73,909	71,725	71,462	71,425

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Support services (continued):				
Office of the principal (continued):				
Life insurance	\$ 970	\$ 970	\$ 970	\$ 970
Medical insurance	120,385	132,700	157,480	112,766
Dental insurance	3,675	3,450	3,443	3,426
Unemployment compensation	1,030	1,030	1,030	1,030
Medicare	14,504	14,061	12,969	13,228
Communication	27,020	29,300	31,363	23,955
Dues and memberships	2,875	375	-	2,800
Travel	12,830	12,830	7,822	10,022
Other contracted services	9,600	10,675	11,971	8,710
Office supplies	20,475	20,475	19,627	17,872
Total office of the principal	1,349,507	1,327,412	1,339,274	1,291,295
Fiscal services:				
Supervisor/director	70,085	70,085	70,084	69,010
Accountant	56,756	54,792	54,790	53,435
Purchasing personnel	41,627	41,627	41,621	38,667
Secretary	84,185	95,815	95,813	80,497
Social security	15,665	16,264	14,237	13,865
State retirement	8,035	8,342	8,093	7,683
Life insurance	220	220	271	220
Medical insurance	23,775	30,262	31,017	22,214
Dental insurance	640	805	820	598
Unemployment compensation	270	270	324	270
Medicare	3,664	3,804	3,443	3,242
Data processing services	34,225	34,225	32,582	32,485
Dues and memberships	8,010	8,010	5,461	404
Travel	225	225	1,604	7,365
Data processing supplies	1,000	1,000	16	-
Other charges	3,735	3,735	3,563	2,981
Total fiscal services	352,117	369,481	363,739	332,936
Human resources:				
Supervisor/director	52,874	53,931	53,930	46,362
Social security	3,279	3,344	3,344	2,874
State retirement	1,682	1,716	1,715	1,474
Life insurance	51	51	-	51
Unemployment compensation	-	-	-	54
Employer medicare	767	782	782	672
	2,805	2,805	2,299	-
	9,500	9,150	9,149	-
Total human resources	70,958	71,779	71,219	51,488
Operation of plant:				
Supervisor/director	87,898	87,923	87,922	85,675
Custodial personnel	321,473	321,843	326,092	316,007
Other salaries and wages	11,150	11,150	12,392	6,709

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Support services (continued):				
Operation of plant (continued):				
Social security	\$ 26,073	\$ 26,097	\$ 23,305	\$ 22,523
State retirement	13,018	13,031	13,119	12,819
Life insurance	790	790	790	790
Medical insurance	103,398	111,160	110,559	96,899
Dental insurance	3,166	3,285	3,206	2,976
Unemployment compensation	906	906	906	906
Medicare	6,098	6,104	5,450	5,267
Other contracted services	79,400	102,868	102,411	78,776
Custodial supplies	44,500	44,500	30,375	40,123
Electricity	712,320	695,600	647,751	663,917
Natural gas	109,120	109,120	109,053	101,380
Water and sewer	181,150	151,200	140,371	136,681
Other supplies and materials	42,490	42,302	30,867	40,742
Building and content insurance	102,991	88,295	88,296	93,628
Plant operation equipment	-	-	-	26,936
Total operation of plant	<u>1,845,941</u>	<u>1,816,174</u>	<u>1,732,865</u>	<u>1,732,754</u>
Maintenance of plant:				
Maintenance personnel	138,373	138,373	137,051	133,343
Social security	8,580	8,580	8,265	8,081
State retirement	4,401	4,401	4,358	4,240
Life insurance	179	179	179	204
Medical insurance	14,115	14,100	14,072	13,185
Dental insurance	333	510	500	387
Unemployment compensation	189	189	189	189
Medicare	2,007	2,007	1,933	1,890
Maintenance/repair service - equipment	284,800	289,625	288,780	248,959
Other contracted services	21,300	21,300	19,806	20,602
General construction materials	-	-	20,120	17,660
Athletic facility maintenance	23,150	23,150	-	-
Other supplies/materials	86,450	91,847	87,988	92,131
Other charges	29,686	-	195	52,490
Maintenance equipment	-	-	-	27,405
Total maintenance of plant	<u>613,563</u>	<u>594,261</u>	<u>583,436</u>	<u>620,766</u>
Transportation:				
Supervisor/director	95,980	95,997	95,996	94,097
Bus drivers	244,029	245,062	246,841	224,369
Clerical personnel	-	33,385	35,330	-
Social security	21,081	23,216	22,714	18,895
State retirement	12,030	13,316	14,097	11,521
Life insurance	575	665	665	575
Medical insurance	30,201	26,050	26,045	28,104
Dental insurance	1,270	1,042	1,043	1,215
Unemployment compensation	594	702	702	594
Medicare	4,931	5,430	5,312	4,419

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Support services (continued):				
Transportation (continued):				
Maintenance/repair service - vehicles	\$ 14,300	\$ 33,300	\$ 27,038	\$ 10,207
Travel	2,800	2,800	297	57
Other contracted services	17,530	17,530	20,105	10,020
Gasoline	37,400	37,400	39,965	34,647
Tires and tubes	12,775	12,775	9,963	5,977
Vehicle parts	28,050	28,050	24,787	31,307
Other charges	200	200	-	110
Transportation equipment	9,393	4,491	4,491	6,033
Total transportation	<u>533,139</u>	<u>581,411</u>	<u>575,391</u>	<u>482,147</u>
Total support services	<u>8,038,581</u>	<u>7,886,621</u>	<u>7,727,685</u>	<u>7,616,962</u>
Operation of non-instructional services:				
Food service:				
Supervisor/director	47,112	46,828	46,827	47,573
Social security	2,921	2,904	2,354	2,534
State retirement	4,259	1,916	1,489	1,493
Life insurance	51	51	51	51
Medical insurance	12,218	11,604	11,603	11,417
Dental insurance	440	408	408	408
Unemployment compensation	54	54	54	54
Medicare	684	680	550	602
Travel	-	-	110	37
Other charges	4,700	4,700	5,902	3,589
Total food service	<u>72,439</u>	<u>69,145</u>	<u>69,348</u>	<u>67,758</u>
Community services:				
Supervisor/director	52,997	52,950	52,948	51,956
Clerical personnel	31,546	31,546	31,539	30,923
Other salaries and wages	11,383	11,383	11,281	10,736
Social security	5,948	5,945	5,185	5,039
State retirement	3,051	3,050	3,045	2,977
Life insurance	153	153	153	153
Medical insurance	19,830	19,830	19,818	18,526
Dental insurance	851	650	630	788
Unemployment compensation	135	135	135	135
Medicare	1,392	1,392	1,213	1,179
Repair and maintenance	1,800	1,800	1,812	1,742
Travel	1,350	1,350	1,048	2,537
Dues and memberships	1,200	1,200	-	-
Food supplies	-	-	725	80
Instructional supplies	2,610	2,610	2,333	2,612
Other supplies/materials	2,800	2,800	3,800	2,498
Other charges	-	19,825	21,640	18,351
Equipment	310	310	-	-
Total community services	<u>137,356</u>	<u>156,929</u>	<u>157,305</u>	<u>150,232</u>

(Continued)

CITY OF LENOIR CITY, TENNESSEE

General Purpose School Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Expenditures (continued):				
Operation of non-instructional services (continued):				
Early childhood education:				
Teachers	\$ 122,689	\$ 130,481	\$ 130,478	\$ 120,282
Educational assistants	38,185	35,465	35,464	31,231
Certified substitute teachers	75	665	825	75
Non-certified substitute teachers	500	805	1,018	963
Social security	10,010	10,380	9,226	8,562
State retirement	12,356	12,976	12,975	11,867
Life insurance	204	204	204	204
Medical insurance	30,630	34,631	34,628	26,399
Dental insurance	1,090	870	866	999
Unemployment compensation	216	216	216	216
Medicare	2,342	2,428	2,163	2,002
Travel	500	639	916	126
Instructional supplies/materials	1,038	3,538	9,980	923
Staff development	1,498	1,498	1,572	653
Total early childhood education	<u>221,333</u>	<u>234,796</u>	<u>240,531</u>	<u>204,502</u>
Total operation of non-instructional services	<u>431,128</u>	<u>460,870</u>	<u>467,184</u>	<u>422,492</u>
Capital outlay and contributions:				
Architects	-	19,827	41,820	2,533
Consultants	25,000	-	-	-
Building construction	-	-	-	6,519
Other capital outlay	-	5,374,313	3,370,340	435,543
Total capital outlay and contributions	<u>25,000</u>	<u>5,394,140</u>	<u>3,412,160</u>	<u>444,595</u>
Debt service:				
Principal on bonds	-	48,414	-	-
Interest on bonds	-	11,792	-	-
Total debt service	<u>-</u>	<u>60,206</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>20,128,974</u>	<u>25,691,763</u>	<u>23,553,453</u>	<u>19,807,396</u>
Revenues over (under) expenditures	<u>(297,528)</u>	<u>(5,408,409)</u>	<u>(3,370,518)</u>	<u>239,305</u>
Other financing sources:				
Other loans issued	-	4,849,434	1,961,159	-
Transfers from City of Lenoir City - General Fund	184,000	184,000	184,000	184,000
Total other financing sources	<u>184,000</u>	<u>5,033,434</u>	<u>2,145,159</u>	<u>184,000</u>
Net change in fund balances	<u>(113,528)</u>	<u>(374,975)</u>	<u>(1,225,359)</u>	<u>423,305</u>
Fund balance, beginning of the year, as previously stated	6,580,144	6,580,144	6,580,144	6,156,839
Cumulative effect of change in accounting principle (See Note 8)	<u>-</u>	<u>-</u>	<u>219,052</u>	<u>-</u>
Fund balance, beginning of the year, as restated	<u>6,580,144</u>	<u>6,580,144</u>	<u>6,799,196</u>	<u>6,156,839</u>
Fund balance, ending	<u>\$ 6,466,616</u>	<u>\$ 6,205,169</u>	<u>\$ 5,573,837</u>	<u>\$ 6,580,144</u>

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

CITY OF LENOIR CITY, TENNESSEE
Statement of Net Position - Proprietary Funds
June 30, 2018

	<u>Assets</u>		
	Lenoir City Utilities Board	Other Proprietary Fund	Totals
Current assets:			
Cash and cash equivalents	\$ 28,503,878	\$ 197,358	\$ 28,701,236
Receivables:			
Customers, less allowance for doubtful accounts of \$902,033	14,821,015	-	14,821,015
Due from governmental units	-	43,467	43,467
Unbilled revenue	7,807,174	-	7,807,174
Other	2,550,958	-	2,550,958
Materials and supplies inventory	1,856,566	-	1,856,566
Prepaid expenses	1,115,381	-	1,115,381
Total current assets	56,654,972	240,825	56,895,797
Restricted assets:			
Bond sinking fund - cash	57,825	-	57,825
Total restricted assets	57,825	-	57,825
Noncurrent assets:			
Capital assets	377,464,884	2,837,538	380,302,422
Less accumulated depreciation	111,297,812	569,606	111,867,418
Net capital assets	266,167,072	2,267,932	268,435,004
Receivable - Tennessee Valley Authority Residential Energy Services Program	1,440,224	-	1,440,224
Total noncurrent assets	267,607,296	2,267,932	269,875,228
Total assets	324,320,093	2,508,757	326,828,850

Deferred Outflows of Resources

Pension contributions subsequent to the measurement date	2,283,808	15,235	2,299,043
Changes of assumptions - pension	1,047,005	39,948	1,086,953
Differences between expected and actual experience - pension	2,344,212	244,501	2,588,713
Differences between expected and actual earnings on pension plan investments	-	26,586	26,586
Total deferred outflows of resources	5,675,025	326,270	6,001,295

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Statement of Net Position - Proprietary Funds
(Continued)
June 30, 2018

	<u>Liabilities</u>		
	Lenoir City Utilities Board	Other Proprietary Fund	Totals
Current liabilities (payable from current assets):			
Current maturities of long-term debt	\$ 4,426,516	\$ -	\$ 4,426,516
Accounts payable:			
Trade	29,392,998	-	29,392,998
Retainage	253,280	-	253,280
Other	153,570	-	153,570
Due to other fund	31,208	188,021	219,229
Accrued liabilities	4,921,657	118,236	5,039,893
Customer deposits	6,815,612	-	6,815,612
Customer advances for construction	1,616,496	-	1,616,496
Total current liabilities (payable from current assets)	47,611,337	306,257	47,917,594
Current liabilities (payable from restricted assets):			
Current maturities of long-term debt	9,000	-	9,000
Matured interest payable	1,533	-	1,533
Total current liabilities (payable from restricted assets)	10,533	-	10,533
Total current liabilities	47,621,870	306,257	47,928,127
Noncurrent liabilities:			
Long-term debt, excluding current maturities	81,049,847	-	81,049,847
Advances from Tennessee Valley Authority			
Residential Energy Services Program	1,479,440	-	1,479,440
Other noncurrent liabilities	110,648	-	110,648
Net OPEB liability	8,684,202	131,145	8,815,347
Net pension liability	4,093,846	396,335	4,490,181
Total noncurrent liabilities	95,417,983	527,480	95,945,463
Total liabilities	143,039,853	833,737	143,873,590
<u>Deferred Inflows of Resources</u>			
Differences between projected and actual earnings on pension plan investments	491,164	4,727	495,891
Total deferred inflows of resources	491,164	4,727	495,891
<u>Net Position</u>			
Net position:			
Net investment in capital assets	180,681,709	2,267,932	182,949,641
Restricted for debt service	57,825	-	57,825
Unrestricted	5,724,567	(271,369)	5,453,198
Total net position	\$ 186,464,101	\$ 1,996,563	\$ 188,460,664

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

CITY OF LENOIR CITY, TENNESSEE

Statement of Revenues, Expenses and Change in Net Position - Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Lenoir City Utilities Board	Other Proprietary Fund	Totals
Operating revenues:			
Residential sales	\$ 94,937,857	\$ -	\$ 94,937,857
Charges for services	-	493,455	493,455
Commercial and industrial sales - small	24,703,602	-	24,703,602
Commercial and industrial sales - large	57,388,171	-	57,388,171
Street and outdoor lighting	1,368,015	-	1,368,015
Interruptible sales	129,109	-	129,109
Other operating revenues	4,451,323	-	4,451,323
	<u>182,978,077</u>	<u>493,455</u>	<u>183,471,532</u>
Operating expenses:			
Purchased energy	136,629,538	-	136,629,538
Distribution and treatment	10,346,749	-	10,346,749
Customer account services	3,081,671	-	3,081,671
Administration and general	4,736,703	2,713	4,739,416
Maintenance	6,428,331	417,216	6,845,547
Depreciation	9,543,869	37,143	9,581,012
	<u>170,766,861</u>	<u>457,072</u>	<u>171,223,933</u>
Operating income	<u>12,211,216</u>	<u>36,383</u>	<u>12,247,599</u>
Non-operating revenues (expenses):			
Interest income	103,656	-	103,656
Interest expense	(1,196,456)	-	(1,196,456)
Miscellaneous income, net	23,430	110,514	133,944
	<u>(1,069,370)</u>	<u>110,514</u>	<u>(958,856)</u>
Income before capital contributions and transfers	11,141,846	146,897	11,288,743
Capital contributions from governments	441,652	-	441,652
Interfund transfer in, net	-	1,849,666	1,849,666
Transfers to local government - in lieu of tax	(3,469,988)	-	(3,469,988)
Change in net position	<u>8,113,510</u>	<u>1,996,563</u>	<u>10,110,073</u>
Net position, beginning, as previously stated	182,917,498	-	182,917,498
Cumulative effect of change in accounting principle (see note 8)	<u>(4,566,907)</u>	<u>-</u>	<u>(4,566,907)</u>
Net position, beginning, as restated	<u>178,350,591</u>	<u>-</u>	<u>178,350,591</u>
Net position, ending	<u>\$ 186,464,101</u>	<u>\$ 1,996,563</u>	<u>\$ 188,460,664</u>

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

CITY OF LENOIR CITY, TENNESSEE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Lenoir City Utilities Board	Other Proprietary Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 179,115,526	\$ 181,029	\$ 179,296,555
Cash payments to suppliers for goods and services	(152,527,855)	(144,277)	(152,672,132)
Cash payments to employees for services	(10,799,934)	(118,629)	(10,918,563)
Net cash provided (used) by operating activities	<u>15,787,737</u>	<u>(81,877)</u>	<u>15,705,860</u>
Cash flows from noncapital and related financing activities:			
Miscellaneous non-operating income/expense	23,430	110,514	133,944
Cash payment for in lieu of taxes	(3,469,988)	-	(3,469,988)
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	<u>8,464</u>	<u>-</u>	<u>8,464</u>
Net cash provided (used) by noncapital and related financing activities	<u>(3,438,094)</u>	<u>110,514</u>	<u>(3,327,580)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(27,216,706)	(19,300)	(27,236,006)
Interest and debt issuance expense paid on debt	(1,196,456)	-	(1,196,456)
Customer advances for construction	129,526	-	129,526
Principal paid on long-term debt	(4,032,118)	-	(4,032,118)
Proceeds from issuance of debt	14,335,844	-	14,335,844
Government contributions	<u>441,652</u>	<u>-</u>	<u>441,652</u>
Net cash used by capital and related financing activities	<u>(17,538,258)</u>	<u>(19,300)</u>	<u>(17,557,558)</u>
Cash flows from investing activities:			
Interest received on investments	103,656	-	103,656
Advances from (repayments to) departments and city, net	<u>153,047</u>	<u>188,021</u>	<u>341,068</u>
Net cash provided by investing activities	<u>256,703</u>	<u>188,021</u>	<u>444,724</u>
Net increase (decrease) in cash and cash equivalents	(4,931,912)	197,358	(4,734,554)
Cash and cash equivalents, beginning of year	<u>33,493,615</u>	<u>-</u>	<u>33,493,615</u>
Cash and cash equivalents, end of year	<u>\$ 28,561,703</u>	<u>\$ 197,358</u>	<u>\$ 28,759,061</u>
Supplemental disclosure:			
Schedule of noncash investing and financing transactions:			
Interfund transfer in, net	\$ -	\$ 1,849,666	\$ 1,849,666

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Statement of Cash Flows - Proprietary Funds
(Continued)

For the Fiscal Year Ended June 30, 2018

	Lenoir City Utilities Board	Other Proprietary Fund	Totals
<u>Reconciliation of operating income to net cash provided (used) by operating activities:</u>			
Operating income	\$ 12,211,216	\$ 36,383	\$ 12,247,599
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	9,649,299	37,143	9,686,442
(Increase) decrease in assets and deferred outflows –			
Accounts receivable	(1,748,717)	-	(1,748,717)
Unbilled revenue	(662,961)	-	(662,961)
Other receivables	(1,844,017)	-	(1,844,017)
Materials and supplies inventory	(179,836)	-	(179,836)
Prepaid expenses	3,550	-	3,550
Deferred outflows related to pension plan	172,793	(268,959)	(96,166)
Due from other fund	-	(43,467)	(43,467)
Increase (decrease) in liabilities and deferred inflows –			
Accounts payable	(455,012)	-	(455,012)
Retainage payable	(1,370,815)	-	(1,370,815)
Accrued liabilities	1,060,583	8,746	1,069,329
Customer deposits	(35,205)	-	(35,205)
Deferred inflows related to pension	491,164	(2,176)	488,988
Net OPEB liability	-	5,067	5,067
Net pension liability	(1,504,305)	145,386	(1,358,919)
Net cash provided (used) by operating activities	<u>\$ 15,787,737</u>	<u>\$ (81,877)</u>	<u>\$ 15,705,860</u>

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

CITY OF LENOIR CITY, TENNESSEE

Statement of Fiduciary Net Position

June 30, 2018

	The Retirement Income Plan for Employees of the City of Lenoir City, Tennessee	Lenoir City Utilities Board Employees' Retirement Plan	Lenoir City Schools Internal School Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 65,008	\$ 475,075	\$ 536,845	\$ 1,076,928
Contribution receivable	5,338	-	-	5,338
Investments, at fair value:				
Mutual funds - equity	529,972	15,632,659	-	16,162,631
Mutual funds - fixed income	832,057	8,519,457	-	9,351,514
Corporate - fixed income	99,564	-	-	99,564
Municipal - fixed income	117,373	-	-	117,373
US government obligation	143,610	-	-	143,610
Other - fixed income	216,412	-	-	216,412
Exchange traded funds	951,237	5,155,219	-	6,106,456
Equity securities	-	-	-	-
Certificate of deposit - restricted	-	-	-	-
	<u>2,960,571</u>	<u>29,782,410</u>	<u>536,845</u>	<u>33,279,826</u>
Accrued investment income	-	823	-	823
Total assets	<u>2,960,571</u>	<u>29,783,233</u>	<u>536,845</u>	<u>33,280,649</u>
<u>LIABILITIES AND NET POSITION</u>				
Due to broker	-	28,820	-	28,820
Total liabilities	-	28,820	-	28,820
Net position restricted	<u>\$ 2,960,571</u>	<u>\$ 29,754,413</u>	<u>\$ 536,845</u>	<u>\$ 33,251,829</u>

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

CITY OF LENOIR CITY, TENNESSEE
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	The Retirement Income Plan for Employees of the City of Lenoir City, Tennessee	Lenoir City Utilities Board Employees' Retirement Plan	Lenoir City Schools Internal School Funds	Total
Increases in net position -				
Employer contributions	\$ 170,759	\$ 2,055,426	\$ -	\$ 2,226,185
Employee contributions	44,454	265,879	-	310,333
Total contributions	215,213	2,321,305	-	2,536,518
Investment income:				
Interest and dividend income	83,391	600,657	-	684,048
Net realized gain on sale of investments	6,685	1,293,405	-	1,300,090
Net appreciation (depreciation) in fair value of investments	61,023	150,950	-	211,973
Revenues - Internal School Funds	-	-	895,781	895,781
Total investment income	151,099	2,045,012	895,781	3,091,892
Total increases in net position	366,312	4,366,317	895,781	5,628,410
Deductions from net position -				
Benefits paid to participants	228,790	344,775	-	573,565
Administrative expenses	16,394	113,499	881,171	1,011,064
Total deductions from net position	245,184	458,274	881,171	1,584,629
Change in net position	121,128	3,908,043	14,610	4,043,781
Net position restricted:				
Beginning of the year	2,839,443	25,846,370	522,235	29,208,048
End of the year	\$ 2,960,571	\$ 29,754,413	\$ 536,845	\$ 33,251,829

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies(a) General Statement

The accounting and reporting policies of the City of Lenoir City, Tennessee (the City) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America that are applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The more significant accounting policies of the City are described below.

(b) Reporting Entity

The financial statements consist of all the funds of the City of Lenoir City, Tennessee.

(c) Basis of Presentation

The City follows Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of activities and change in net position and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. The classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

CITY OF LENOIR CITY, TENNESSEE

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

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities.

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

2. Fund Financial Statements:

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

(d) Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's governmental fund types:

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(d) Fund Accounting (Continued)**Governmental Funds (Continued):**

General Fund – The General Fund is the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs of the school.

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources to be used for the construction, renovation and/or purchase of major capital outlay projects of the School System and the City.

Fiduciary Fund – The Lenoir City School Internal School Fund is used to account for the funds held at individual schools for which all earnings and resources of the fund are used to benefit the students.

The City's major governmental funds are the General Fund and the General Purpose School Fund.

Proprietary Funds:

Enterprise Fund – Enterprise funds are used to account for the activities that are similar to those found in the private sector. Enterprise funds are used to account for operations (a) that are financed primarily through user charges, or (b) where the governing body has decided that determination of net income is appropriate.

(e) Measurement Focus**Proprietary Funds:**

The Lenoir City Utilities Board (the Utility) and the City's Stormwater Fund are operated as enterprise funds.

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF LENOIR CITY, TENNESSEE

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

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" states that the objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, donors, grantors, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution adopted by the Board (the City's highest level of decision making authority),

Assigned fund balance classification includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City gives the Board of Alderman the authority to assign fund balance, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

If the City has an expenditure that is incurred for purposes of multiple account classification, the City's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

(g) Restricted and Unrestricted Resources

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. When expenditures are incurred with unrestricted resources, the City uses the Governmental Accounting Standards Board's policy. Committed amounts are used first, followed by assigned amounts, and then unassigned amounts.

CITY OF LENOIR CITY, TENNESSEE

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow of resources, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, franchise taxes, special assessments, licenses, charges for services, interest income and intergovernmental revenue.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

Prior to the beginning of the fiscal year, the Mayor and Board of Aldermen hold hearings, prepare and approve an operating budget for all governmental funds. All supplemental appropriations must also be approved by the Mayor and Board of Aldermen. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level. Budgetary control, however, is maintained at the departmental level. During the year ended June 30, 2018, the City did overexpend legally adopted fund budgets in the General Fund. Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

CITY OF LENOIR CITY, TENNESSEE

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

The City prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting, and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a classification of fund balance (GAAP). At June 30, 2018, there were no encumbrances.

Budgeted amounts are as originally adopted and as amended by the Mayor and Board of Aldermen.

(i) Property Taxes Receivable

The City's property taxes, levied on or about October 1, become delinquent on March 1. Property taxes attach as an enforceable lien on property on January 1. The county tax assessor provides the property assessment but the City bills and collects its own taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables within 60 days of the end of the year. Property taxes recognized as a receivable before the period of revenue recognition are reported as deferred inflows of resources.

At June 30, 2018, the City's 2018 property taxes of \$2,590,000 were not scheduled to be billed until October 2018. Consequently, separate accounts receivable for unbilled property taxes and deferred inflows of resources for property taxes unbilled totaling \$2,590,000 are recorded.

(j) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported within the appropriate fund balance categories for the specific purposes of the encumbrance or assigned if not previously restricted or committed for a specific purpose. Encumbrances do not constitute expenditures or liabilities.

(k) Inventories

Inventories are valued at the lower of cost (weighted average method) or market.

(l) Commodities Inventory

The Lenoir City Schools receive commodities for school cafeterias from the U.S. Department of Agriculture and the U.S. Department of Defense. The value of the commodities received is reported as revenue, and the value of such commodities used is reported as cost of food in the accompanying financial statements.

(m) Capitalization of Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various fixed assets when material. Capitalized interest for the year ended June 30, 2018 was \$705,725 in the Power and Light Department, \$-0- in the Gas Department, \$-0- in the Water and Sewer Department - Water Division, and \$9,365 in the Water and Sewer Department - Sewer Division. There was no other capitalized interest for the year ended June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

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

For purposes of these financial statements, the City considers all highly liquid investments (including restricted assets) having original maturity dates of three months or less when purchased to be cash equivalents.

(o) InvestmentsValuation of Investments – Pension Plans

The Plans' investments are stated at fair value. The Plans categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in shares of registered investment companies (mutual funds) are stated at fair value as determined by quoted market prices. Investments actively traded on exchanges, including debt securities, are stated at fair value as determined by reference to closing prices quoted on the stock exchange. Shares of common and collective trust funds and real estate investment trusts are valued at net unit value as determined by the trustee at year end.

The Plans present, in the statement of changes in fiduciary net position, the net appreciation (depreciation) in the fair value of their investments, which consists of realized and unrealized gains or losses on those investments. Discounts and premiums on fixed income securities are included in the net appreciation (depreciation) of the fair value of investments.

Purchases and sales of securities, including gains or losses on sales or exchanges, are recorded on a trade-date basis. Interest and dividend income are recorded when earned by the Plans.

Investment Income – Pension Plans

Dividend income and interest income are recorded as earned on an accrual basis. Realized and unrealized gains and losses on sales, maturities or exchanges of investments are determined on an average cost basis and are reflected in the statement of changes in plan net position.

(p) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund loans are classified as "Interfund notes receivable/payable."

CITY OF LENOIR CITY, TENNESSEE

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

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operations.

City

The City maintains a capitalization threshold of one thousand dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	15 – 50 years
Machinery and equipment	5 – 20 years
Vehicles	5 – 30 years
Street Network	15 – 70 years

Schools

The Schools maintain a capitalization threshold of five thousand dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 – 40 years
Machinery and equipment	5 – 12 years
Vehicles	10 – 15 years

Utility

The Utility maintains a capitalization threshold of one thousand dollars.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Structures and improvements	40 – 50 years
Equipment	5 – 20 years
Transmission, distribution and collection lines	15 – 40 years

CITY OF LENOIR CITY, TENNESSEE

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

Compensated absences are reported in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

City – The cost of vacation pay is recognized when earned. All vacation not taken by December 31 of each year is forfeited. Employees resigning and giving reasonable notice of intention to resign will receive payment for accrued vacation as of date of resignation.

Employees may accumulate and carry over a maximum of 120 days of unused sick leave. Employees resigning and giving reasonable notice of intention to resign will receive payment for accrued sick leave as of date of resignation.

Board of Education – The cost of vacation pay is recognized when earned. Certain employees may accumulate and carry over a maximum of thirty days of unused vacation benefits. Employees resigning and giving reasonable notice of intention to resign will receive payment for accrued vacation as of date of resignation. Certified personnel do not earn vacation benefits.

Sick pay is forfeited upon termination of employment prior to retirement. Upon retirement, the accumulated sick leave is credited to time of employment for benefit purposes of certified personnel. The Schools do not bear the retirement costs upon the retirement of an employee. Therefore, no liability for certified personnel sick leave has been recorded.

Lenoir City Utilities Board – The cost of vacation pay is recognized as it is earned. Employees are allowed to accumulate and carry over one to six weeks of unused vacation benefits. The maximum number of weeks permitted to be carried over is determined based on specified years of service requirements.

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

CITY OF LENOIR CITY, TENNESSEE

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

Employees of the City, Board of Education and Utility are covered under various retirement plans as follows:

City –

Defined Benefit Plan – The City has established a cost-sharing multiple-employer defined benefit plan covering substantially all employees of the City (excluding the Schools and the Utilities Board) and the Lenoir City Housing Authority (LCHA) employed prior to March 31, 2016, the date the plan was closed to new employees. All participating employees must contribute 4% of their base salary. The City and LCHA contribute at an actuarially determined rate based upon accrued pension expense.

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

TCRS – The City began participating in TCRS on April 1, 2016. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lenoir City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Lenoir City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee 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 Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Board of Education –

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

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(s) Pension Plans (Continued)Board of Education (Continued) –

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

Lenoir City Utilities Board –

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

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

(t) Customer Advances for Construction

Customer advances for construction represent refundable receipts from developers.

(u) Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

(v) Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

(w) Postemployment Benefits

The City, Utility Board and Board of Education follows the provisions of Governmental Accounting Standards Board No. No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." The City, Utility Board and Board of Education elected to implement this standard on the prospective basis.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(x) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(y) Federal Energy Regulatory Commission Policies

The Lenoir City Utilities Board follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission.

(z) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

(aa) Deferred Outflows/Inflows of Resources

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

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

The government has items that qualify for reporting in these categories. Pension contributions made after the net pension liability measurement date are reported as deferred outflows or inflows on the government-wide statement of net position. Certain property taxes in the general fund are unavailable resources in the current year. This amount is deferred on the government-wide statement of net position and the governmental funds balance sheet and recognized as an inflow of resources in the period that the amount becomes available. Additionally, the statement of net position includes differences between projected and actual earnings on pension plan earnings and pension plan actuarial experience that are reported as both deferred inflows and outflows of resources.

(ab) Comparative Data

Comparative totals for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the City of Lenoir City's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's presentation.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)(ac) Operating and Non-operating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

(ad) Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other than Pension" - The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

Statement No. 81, "Irrevocable Split-Interest Agreements" - The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016.

Statement No. 85, "Omnibus" - The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

Statement No. 86, "Certain Debt Extinguishment Issues" - The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

Only Statement No. 75 has had an effect on the City's, Utility Board's and Board of Education's financial statements.

(2) Cash, Cash Equivalents and Investments

Cash – At June 30, 2018, all of the City's deposits with financial institutions were insured by federal depository insurance or by the bank's participation in the State of Tennessee Bank Collateral Pool.

Interest rates ranged from 0.00% to 0.70% at June 30, 2018.

Investments - State statutes authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, obligations of any municipality rated as to investment quality of "A" or its equivalent rating, commercial paper in the highest rating which matures within 270 days from purchase date, U.S. dollar denominated deposit accounts and federal funds and bankers' acceptances with domestic commercial banks which have a rating of "A" or its equivalent rating on their short-term certificates of deposit on the date of purchase and maturing within 360 days of the purchase date.

The City had no investments as of June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(2) Cash, Cash Equivalents and Investments (Continued)Utilities

	Power and Light Department	Gas Department	Water and Sewer Department		Total
			Water Division	Sewer Division	
Cash on hand and in banks:					
Unrestricted	\$ 20,044,305	\$ 2,958,597	\$ 1,077,255	\$ 4,423,721	\$ 28,503,878
Restricted	-	-	-	57,825	57,825
	<u>\$ 20,044,305</u>	<u>\$ 2,958,597</u>	<u>\$ 1,077,255</u>	<u>\$ 4,481,546</u>	<u>\$ 28,561,703</u>

Interest rates ranged from 0.04% to 0.40% at June 30, 2018.

At June 30, 2018, all cash and cash equivalents were insured by federal depository insurance and/or insured through the State of Tennessee Bank Collateral Pool. Investment policies of the Utilities Board follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. government.

(3) Capital Assets

Governmental capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,995,790	\$ -	\$ -	\$ 2,995,790
Capital assets, being depreciated:				
Buildings and improvements	44,579,905	3,269,053	-	47,848,958
Machinery and equipment	4,519,651	913,964	15,000	5,418,615
Vehicles	4,787,211	317,127	32,777	5,071,561
Street network	20,305,320	-	2,818,238	17,487,082
Total capital assets, being depreciated	<u>74,192,087</u>	<u>4,500,144</u>	<u>2,866,015</u>	<u>75,826,216</u>
Less accumulated depreciation for:				
Buildings and improvements	15,219,749	1,214,972	-	16,434,721
Machinery and equipment	3,122,984	330,309	13,855	3,439,438
Vehicles	3,076,489	261,859	20,649	3,317,699
Street network	4,179,077	215,399	532,463	3,862,013
Total accumulated depreciation	<u>25,598,299</u>	<u>2,022,539</u> *	<u>566,967</u>	<u>27,053,871</u>
Capital assets, being depreciated, net	<u>48,593,788</u>	<u>2,477,605</u>	<u>2,299,048</u>	<u>48,772,345</u>
Governmental activities capital assets, net	<u>\$ 51,589,578</u>	<u>\$ 2,477,605</u>	<u>\$ 2,299,048</u>	<u>\$ 51,768,135</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(3) Capital Assets (Continued)

Governmental capital asset activity (continued):

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 167,293
Public safety	204,607
Event Center	239,339
Streets	274,646
Culture and recreation	149,861
Education	986,793
Total depreciation expense	<u>\$ 2,022,539</u>

Business-type capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Business-Type Activities</u>				
Capital assets, not being depreciated:				
Land and land rights	\$ 7,293,402	\$ 500	\$ -	\$ 7,293,902
Construction work in progress	54,162,561	(32,853,604)	-	21,308,957
Total capital assets, not being depreciated	61,455,963	(32,853,104)	-	28,602,859
Capital assets, being depreciated:				
Distribution plant	275,541,645	10,283,294	1,199,923	284,625,016
General plant	15,591,890	48,676,585	31,466	64,237,009
Stormwater	-	2,837,538	-	2,837,538
Total capital assets, being depreciated	291,133,535	61,797,417	1,231,389	351,699,563
Less accumulated depreciation for:				
Distribution plant	94,149,782	8,528,368	2,309,854	100,368,296
General plant	9,840,051	1,120,931	31,466	10,929,516
Stormwater	-	569,606	-	569,606
Total accumulated depreciation	103,989,833	10,218,905	2,341,320	111,867,418
Capital assets, being depreciated, net	187,143,702	51,578,512	(1,109,931)	239,832,145
Business-type activities capital assets, net	<u>\$ 248,599,665</u>	<u>\$ 18,725,408</u>	<u>\$ (1,109,931)</u>	<u>\$ 268,435,004</u>

Depreciation expense was \$10,218,905 in 2018, including \$105,430 charged to a clearing account.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

Governmental Activities	July 1, 2017	Additions	Retirements/ Refunded	June 30, 2018	Amounts Due Within One Year
General Obligation School Bonds, Series 2009	\$ 7,360,000	\$ -	\$ 445,000	\$ 6,915,000	\$ 460,000
General Obligation School Bonds, Series 2010	1,075,000	-	70,000	1,005,000	70,000
Energy Efficient School Initiative Loan	-	1,961,159	-	1,961,159	-
Tennessee Municipal Loan Bond Pool (#4), Series 2004	612,000	-	197,000	415,000	204,000
Tennessee Municipal Loan Bond Pool (#5), Series 2008	4,244,000	-	128,000	4,116,000	135,000
Tennessee Municipal Loan Bond Pool (#6), Series 2011	1,071,559	-	1,071,559	-	-
Capital Outlay Note, Police Department	122,000	-	30,000	92,000	30,000
Capital Outlay Note, Street Department	163,000	-	31,000	132,000	32,000
Tennessee Municipal Loan Bond Pool (#8), Series 2015	1,905,000	-	96,000	1,809,000	97,000
Tennessee Municipal Loan Bond Pool (#9), Series 2017	1,098,771	588,249	111,000	1,576,020	113,000
USDA Rural Development Community Facility Loan	6,459,828	-	99,994	6,359,834	102,374
USDA Rural Development Community Facility Loan	496,146	-	7,678	488,468	7,862
Accrued compensated absences*	1,703,478 **	637,449	875,463	1,465,464	395,501
Total governmental activities	\$ 26,310,782	\$ 3,186,857	\$ 3,162,694	\$ 26,334,945	\$ 1,646,737

The Schools drew down on an Energy Efficient School Initiative Loan of \$4,849,434. Total draws as of June 30, 2018 totaled \$1,961,159. A repayment schedule has not been established for this loan.

* Accrued compensated absences consist of governmental funds only.

** See note 23 for information regarding prior period adjustment for accrued compensated absences.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)

Bonds and notes payable at June 30, 2018 consist of the following:

Bonds and Notes

Variable rate General Obligation Bond, Series 2009, due in annual installments ranging from \$445,000 to \$710,000 through 2030. The interest rate is 4.00%.	\$ 6,915,000
Variable rate General Obligation Bond, Series 2010, due in annual installments ranging from \$70,000 to \$100,000 through 2030. The interest rate range is 2% to 3.5%.	1,005,000
Fixed rate Energy Efficient School Initiative Loan, due in annual installments that are to be determined. The interest rate is 1.50%.	1,961,159
Tennessee Municipal Loan Bond Pool (#4), Series 2004, due in annual installments ranging from \$197,000 to \$211,000 through 2020. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2018 was 1.51%.	415,000
Tennessee Municipal Loan Bond Pool (#5), Series 2008, due in annual installments ranging from \$128,000 to \$324,000 through 2037. The interest rate varies weekly based on the issue rate of similar bonds. The interest rate at June 30, 2018 was 1.51%.	4,116,000
Tennessee Municipal Loan Bond Fund (#9), Series 2015, due in annual installments ranging from \$30,000 to \$31,000 through 2020. The interest rate is fixed at 2.11%.	92,000
Tennessee Municipal Loan Bond Fund (#7), Series 2014, due in annual installments ranging from \$31,000 to \$34,000 through 2022. The interest rate is fixed at 2.55%.	132,000
Tennessee Municipal Loan Bond Fund (#8), Series 2015, due in annual installments ranging from \$96,000 to \$116,000 through 2035. The interest rate is variable. The interest rate at June 30, 2018 was 2.12%.	1,809,000
Tennessee Municipal Loan Bond Fund (#10), Series 2016, due in annual installments ranging from \$111,000 to \$144,000 through 2032. The interest rate is variable. The interest rate at June 30, 2018 was 2.12%.	1,576,020
USDA Rural Development Community Facility Loan, due in monthly installments of principal and interest of \$21,028 through 2056. The interest rate is variable. The interest rate is fixed at 2.375%.	6,359,834
USDA Rural Development Community Facility Loan, due in monthly installments of principal and interest of \$1,615 through 2056. The interest rate is variable. The interest rate is fixed at 2.375%.	488,468
Total bonds and notes	<u>\$ 24,869,481</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)

Business-Type Activities	July 1, 2017	Additions	Retirements	June 30, 2018	Due Within One Year
<u>Bonds Payable</u>					
Sewer Revenue and Tax Bonds: Series 1979	\$ 17,000	\$ -	\$ 8,000	\$ 9,000	\$ 9,000
Gas Revenue and Tax Bonds: Series 2011	1,035,000	-	135,000	900,000	139,000
Tennessee Municipal Loan Bond Pool: Electric Revenue Bond Series Series 2015	10,000,000	-	333,333	9,666,667	666,667
Series 2003 - Water	2,996,000	-	190,000	2,806,000	196,000
Sewer	647,000	-	85,000	562,000	64,000
Series 2005 - Sewer	1,063,000	-	66,000	997,000	68,000
Series 2008 - Water	4,208,000	-	134,000	4,074,000	140,000
Sewer	4,630,000	-	148,000	4,482,000	154,000
Total bonds	24,596,000	-	1,099,333	23,496,667	1,436,667
<u>Notes Payable</u>					
Gas Department Revenue Anticipation Note Series 2014	697,624	-	100,000	597,624	100,000
Water Department Revenue Anticipation Note Series 2014	2,436,366	-	393,333	2,043,033	393,333
Water Department - CNH Industrial Capital Note	-	165,488	16,640	148,848	30,186
Water Department State Drinking Water Fund Loan (SDWF-2000-035)	152,819	-	25,524	127,295	27,912
Sewer Department State Revolving Loan (SRF96-095)	226,520	-	58,440	168,080	59,828
Sewer Department State Revolving Loan (SRF99-126)	131,788	-	25,500	106,288	26,064
Sewer Department State Revolving Loan (SRF2001-155)	355,406	-	44,244	311,162	45,470
Sewer Department State Revolving Loan (SRF2006-191)	715,566	-	55,368	660,198	56,256
CGA State Revolving Loan (SRF2009-238)	1,285,425	-	69,528	1,215,897	72,564
Sewer Department State Revolving Loan (SRF2008-218)	8,587,099	-	542,208	8,044,891	550,236
Sewer Department State Revolving Loan (SRF2015-342)	429,059	626,729	-	1,055,788	-
Electric Department Local Government Loan Program Series 2016	10,567,965	13,543,627	824,000	23,287,592	840,000
Electric Department Local Government Loan Program Series 2016	25,000,000	-	778,000	24,222,000	797,000
Total notes payable	50,585,637	14,335,844	2,932,785	61,988,696	2,998,849
<u>Compensated Absences</u>					
Accrued compensated absences - Stormwater Fund only*	-	172,826	69,258	103,568	25,647
Total compensated absences	-	172,826	69,258	103,568	25,647
	\$ 75,181,637	\$ 14,508,670	\$ 4,101,376	\$ 85,588,931	\$ 4,461,163

The Sewer Department has drawn down \$1,055,788 on the \$1,833,160 state revolving loan (SRF2015-342). A repayment schedule has not been established for this loan.

The Water Department has drawn down \$3,616,165 on the \$5,900,000 Series 2014 Revenue Anticipation Note.

*Lenoir City Utilities Board compensated absences are all considered to be current liabilities.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)

Bonds and notes payable at June 30, 2018 consist of the following:

Bonds Payable

Electric Revenue Bond Series, Series 2015. Monthly principal payments of \$55,556 plus interest starting February 1, 2018 to 2033. Interest on this bond is variable and the interest rate at June 30, 2018 was 3.10%.

\$ 9,666,667

5.00% Sewer Revenue and Tax Bonds, Series 1979, due in an annual principal installment of \$9,000 in 2019.

9,000

2.95% Gas Revenue and Tax Bonds, Series 2011, due in annual principal installments ranging from \$139,000 to \$161,000 through 2024.

900,000

The Lenoir City Utilities Board Water and Sewer Department - Water Division has a Water Improvement Loan through the Tennessee Municipal Loan Bond Fund, Series 2003. The Water Improvement Loan is for a total of \$5,000,000. Annual principal installments range from \$196,000 in 2019 to \$276,000 in 2030. Interest on this bond is variable and the interest rate at June 30, 2018 was 3.10%.

2,806,000

The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$1,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2003. Annual principal installments range from \$64,000 in 2019 to \$19,000 in 2027. Interest on this bond is variable and the interest rate at June 30, 2018 was 1.51%.

562,000

The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$1,700,000 through the Tennessee Municipal Loan Bond Fund, Series 2005. Annual principal installments range from \$68,000 in 2019 to \$100,000 in 2030. Interest on this bond is variable and the interest rate at June 30, 2018 was 1.51%.

997,000

The Lenoir City Utilities Board Water and Sewer Department - Water Division borrowed \$5,000,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. At June 30, 2018, the Water and Sewer Department - Water Division had drawn \$4,798,000. Annual principal installments range from \$140,000 in 2019 to \$310,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2018 was 1.51%.

4,074,000

The Lenoir City Utilities Board Water and Sewer Department - Sewer Division borrowed \$5,500,000 through the Tennessee Municipal Loan Bond Fund, Series 2008. At June 30, 2018, the Water and Sewer Department - Sewer Division had drawn \$5,278,000. Annual principal installments range from \$154,000 in 2019 to \$341,000 through 2037. Interest on this bond is variable and the interest rate at June 30, 2018 was 1.51%.

4,482,000

Total bonds payable

23,496,667

Less current installments

1,436,667

22,060,000

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Notes Payable

Gas Department Revenue Anticipation Notes, Series 2014, due in annual principal installments of \$100,000 through 2023 and then \$97,624 in 2024. Interest on this note is variable and the rate at June 30, 2018 was 3.10%.

\$ 597,624

Electric Department Local Government Loan Program Variable Rate Loan, payable in annual principal installments ranging from \$840,000 in 2019 to \$1,293,000 in 2041. Interest on this note is variable and the rate at June 30, 2018 was 2.32%.

23,287,592

2.39% Electric Department Local Government Loan Program Fixed Rate Loan, payable in annual principal installments ranging from \$797,000 in 2019 to \$1,357,000 in 2041.

24,222,000

Water System Revenue Anticipation Notes, Series 2014, due in annual principal installments of \$393,333 through 2029. Interest on this note is variable and the rate at June 30, 2018 was 3.10%.

2,043,033

2.04% Water Department State Drinking Water Fund Loan, payable in monthly principal and interest installments of \$2,539 through 2022.

127,295

CNH Industrial Capital Note, payable in monthly principal and interest installments of \$3,339 through 2022. Interest on this note is variable and the rate at June 30, 2018 was 7.18%.

148,848

2.35% Sewer Department State Revolving Loan, payable in annual principal and interest installments of \$63,138 through 2021.

168,080

2.23% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$2,350 through 2022.

106,288

2.08% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$4,369 through 2024.

311,162

1.60% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$5,534 through 2029.

660,198

1.47% Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$55,400 through 2032.

8,044,891

2.88% CGA Sewer Department State Revolving Loan, payable in monthly principal and interest installments of \$8,927 through 2031.

1,215,897

1.33% Sewer Department State Revolving Loan, repayment has not been established. Sewer Department has only drawn \$1,055,788 of \$1,833,160 loan.

1,055,788

Total notes payable 61,988,696

Less current maturities 2,998,849

58,989,847

Total long-term debt, excluding current maturities \$ 81,049,847

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(4) Long-Term Liabilities (Continued)Principal and Interest Requirements

The annual requirements to amortize long-term liabilities as of June 30, 2018 are as follows:

	Governmental Activities		Business-Type Activities		Total***	
	Principal	Interest*	Principal	Interest*	Principal	Interest*
2019	\$ 1,251,236	\$ 840,427	\$ 4,435,516	\$ 2,593,465	\$ 5,686,752	\$ 3,433,892
2020	1,296,881	789,775	4,507,618	2,460,454	5,804,499	3,250,229
2021	1,119,593	737,323	4,576,420	2,326,806	5,696,013	3,064,129
2022	1,117,368	695,401	4,623,528	2,191,082	5,740,896	2,886,483
2023	1,124,211	652,621	4,614,899	2,054,190	5,739,110	2,706,811
2024-2028	6,236,130	2,577,406	22,868,880	8,224,125	29,103,010	10,801,531
2029-2033	4,652,143	1,367,102	19,882,757	4,917,826	24,534,900	6,284,928
2034-2038	2,263,486	697,982	14,316,000	2,422,854	16,579,486	3,120,636
2039-2043	929,463	429,117	7,778,000	459,517	8,707,463	888,634
2044-2048	1,046,534	312,045	-	-	1,046,534	312,045
2049-2053	1,178,351	180,229	-	-	1,178,351	180,229
2054-2057	905,906	38,920	-	-	905,906	38,920
**	(212,980)	-	(3,172,043)	-	(3,385,023)	-
	<u>\$ 22,908,322</u>	<u>\$ 9,318,348</u>	<u>\$ 84,429,575</u>	<u>\$ 27,650,119</u>	<u>\$ 107,337,897</u>	<u>\$ 36,968,467</u>

* The City uses a 3.50% to 5.50% rate for calculating future interest on all variable rate bonds, even through the rates at June 30, 2018 ranged from 1.51% to 4.00%.

** Represents available loan funds that had not yet been drawn as of June 30, 2018.

*** The Sewer Department has drawn down \$1,055,788 on the \$1,833,160 state revolving loan (SRF2015-342). A repayment schedule has not been established for this loan.

*** The Schools drew down on Energy Efficient School Initiative Loan of \$4,849,434. Total draws as of June 30, 2018 totaled \$1,961,159. A repayment schedule has not been established for this loan.

Debt Covenants

The City of Lenoir City Water and Sewer Revenue and Tax Bonds, Series 1979, were issued through the Rural Economic and Community Development Administration (formerly Farmers Home Administration) in the form of fully registered installment bonds on July 17, 1980 in the amount of \$155,000. The bonds bear interest at a rate of 5.00 percent per annum with interest payable semi-annually on January 1 and July 1. The bonds are the obligation of the City and are payable primarily from and secured by a pledge of the income and the revenues to be derived from the operation of the sewer system of the Municipality, subject only to the payment of the reasonable and necessary costs of operating and maintaining said system and to the prior pledges of such revenues. In the event such revenues are insufficient therefore, the bonds are payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. The 1979 bonds, or any installment thereof, may be redeemed in whole or in part in inverse order of maturity, at any time, without penalty.

In accordance with the above bond resolutions, the Water and Sewer Department - Sewer Division is required to maintain a bond and interest sinking fund to be used solely for payment of principal and interest on the 1979 bonds. Monthly transfers to the account must equal one-sixth of the next semi-annual interest payment plus one-twelfth of the next annual principal payment. The covenant of the Series 1979 bonds also requires the Water and Sewer Department - Sewer Division to maintain a renewal and extension fund with a maximum balance of \$39,600. The Series 1979 bond resolution further requires the Water and Sewer Department - Sewer Division to maintain a debt service reserve fund with a maximum balance of \$9,600. At June 30, 2018, the Water and Sewer Department - Sewer Division had \$9,600 in the debt service reserve fund and \$39,600 in the renewal and extension fund. According to the bond covenant, when monies are used from the renewal and extension fund, monthly payments shall be resumed until the required balance of \$39,600 has been restored.

The 1979 bond resolution requires the Water and Sewer Department - Sewer Division to transfer all surplus operating funds, after providing for the payment of current operating expenses and all prior pledges of such revenues, to a bond redemption fund for the purpose of prepaying the bond or a portion thereof, or of retiring parity bonds. The Water and Sewer Department - Sewer Division has not established a bond redemption fund as of June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(5) Accrued Expenses – Utilities/Stormwater Fund

Accrued expenses for proprietary funds consisted of the following:

LCUB – Compensated absences – sick leave	\$3,498,329
LCUB – Compensated absences – vacation	878,727
LCUB – Other	544,601
Stormwater Fund – Compensated absences	103,568
Stormwater Fund – Payroll and payroll liabilities	<u>14,668</u>
	<u>\$5,039,893</u>

All compensated absences are considered current.

(6) Retirement Plans**City of Lenoir City, Tennessee**

The City of Lenoir City, the Lenoir City Board of Education and the Lenoir City Utilities Board have defined benefit retirement plans. Information concerning these public employee retirement systems (PERS) is as follows:

LENOIR CITY, TENNESSEE'S RETIREMENT INCOME PLAN**General Information about the Pension Plan**

Plan Description. The following description of the city of Lenoir City, Tennessee's Retirement Income Plan for Employees of the City of Lenoir City (the "Plan") is provided for general information only. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

The Plan is a cost sharing multiple employer public employee, defined benefit pension plan established by the City of Lenoir City, Tennessee (the "City") effective January 1, 2003 and amended and restated effective July 1, 2008 to provide retirement benefits to employees of the City that are age eighteen or older. This plan only covers certain employees of the City of Lenoir City and the Lenoir City Housing Authority. Employees of the Lenoir City Board of Education and the Lenoir city Utilities Board are not covered by this Plan. The City closed this plan to new membership on March 31, 2016, but will continue providing benefits to existing members and retirees. All eligible employees hired after that date will participate in the City's TCRS plan.

Benefits provided. The Plan provides retirement, disability and death benefits for all eligible full-time employees who are 18 years of age, and have completed twelve months of service. The normal retirement date is the first day of the month coinciding with or next following attainment of age 65 or completion of 10th year of credited service, whichever is later. The monthly normal retirement benefit for the Plan participants is calculated as 1.8% of the participant's average monthly earnings multiplied by the number of years and completed months of credited services at his Normal Retirement Date shall be entitled to a minimum pension in an amount equal to 30% of his average monthly earnings. The normal benefit amount a retiree will receive will be in the form of a monthly annuity. At retirement, a participant may elect the normal form of benefit (10 years certain and life), or one of the following options: life annuity, 50, 75, or 100% Joint and survivor annuity, 5, 10, or 15 years of certain and life, or a lump sum. Early retirement age is the date the participant has both attained age 52 and with ten years of credited service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****LENOIR CITY, TENNESSEE'S RETIREMENT INCOME PLAN** (Continued)General Information about the Pension Plan (Continued)

Employees covered by benefit terms. Below is a summary of the participants at July 1, 2018:

Inactive Plan Participants as of July 1, 2018

a). Retirees and beneficiaries currently receiving benefits	21
b). Terminated employees entitled to deferred benefits	30
c). Disabled employees entitled to deferred benefits	0
d). Total	<u>51</u>

Active Plan Participants as of July 1, 2018

a). Vested	21
b). Partially Vested	6
c). Non-Vested	0
d). Total	<u>27</u>

Contributions. The Plan is funded by participant and employer contributions. Participants contribute biweekly to the Plan through their payroll deductions. Employer contributions are credited to participant accounts at year-end. The amount of the employer contribution is determined by an actuarial study, calculated in accordance with the standards of practice established by the Actuarial Standards Board of the American Academy of Actuaries. The Board of Mayor and Aldermen (Board) has the authority to amend the contribution policy. For the year ended June 30, 2018, total employer contributions were \$170,759 and total employee contributions were \$44,454. Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. Costs to administer the Plan are paid by the employer's contributions in excess of the actuarial recommended contributions. These contributions are determined according to the following contribution policy:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level dollar amortization of unfunded liabilities
Asset Valuation Method:	Five year smoothing method

Net Pension Liability

At June 30, 2017, the City reported a liability of \$2,136,857 for the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For the year ended June 30, 2018, the City recognized pension income of \$830,810.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent per annum
Salary increases	2.00 percent per annum
Investment rate of return	7.50 percent per annum

Mortality rates were based on the 2016 IRS Combined Static Mortality Table.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****LENOIR CITY, TENNESSEE'S RETIREMENT INCOME PLAN** (Continued)Net Pension Liability (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2014.

The Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments was determined using a modified building blocks methodology because the ability to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward.

Asset Class	Long-Term Expected Real Rate of Return ¹
Domestic Equity – Small Cap	8.40%
Domestic Equity – Large Cap	7.83%
Domestic Equity – Mid Cap	8.40%
International Equity	7.64%
International Equity – Emerging Markets	8.69%
Core US Bonds	4.42%
TIPS	3.98%
High Yield Bonds	6.20%
¹ Horizon Capital Market Assumptions 2018 Edition	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Board's contributions will be made at the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to meet all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)

City of Lenoir City, Tennessee (Continued)

LENOIR CITY, TENNESSEE'S RETIREMENT INCOME PLAN (Continued)Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Beginning balance*	\$ 7,261,841	\$ 3,915,859	\$ 3,345,982
Changes for the year:			
Service cost	88,439	-	88,439
Interest expense	536,458	-	536,458
Difference between expected and actual experience	(38,995)	-	(38,995)
Changes of assumptions	-	-	-
Contributions - employer	-	314,192	(314,192)
Contributions - employee	-	113,986	(113,986)
Net investment income	-	200,025	(200,025)
Benefits paid	(395,022)	(395,022)	-
Plan administrative expenses	-	(18,595)	18,595
Other	(2,476,421)	(1,291,002)	(1,185,419)
Net changes	(2,285,541)	(1,076,416)	(1,209,125)
Ending balance*	\$ 4,976,300	\$ 2,839,443	\$ 2,136,857

June 30, 2017 is the measurement date and the valuation date for the reporting date is June 30, 2018.

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 2,739,363	\$ 2,136,857	\$ 1,629,653

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****LENOIR CITY, TENNESSEE'S RETIREMENT INCOME PLAN** (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***Pension Expense Calculation for June 30, 2018 Financial Statement*

Service cost	\$ 88,439
Interest	536,458
Employee contributions	(113,986)
Projected investment earnings	(255,004)
Amortization of experience	(1,546)
Amortization of investment income	81,653
Administrative expense	18,595
Other changes	<u>(1,185,419)</u>
Pension Expense (Income)	<u>\$ (830,810)</u>

At June 30, 2018, the City 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>
Difference between expected and actual experience	\$ 4,828	\$ 19,497
Net difference between projected and actual earnings	354,480	46,022
Changes of assumptions	-	-
Contributions made subsequent to measurement date	170,759	-
	<u>\$ 530,067</u>	<u>\$ 65,519</u>

The \$170,759 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Total</u>
Year Ended June 30:	
2019	\$ 64,569
2020	130,084
2021	88,141
2022	10,995
Thereafter	-

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)

City of Lenoir City, Tennessee (Continued)

LENOIR CITY, TENNESSEE'S RETIREMENT INCOME PLAN (Continued)Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Development of Deferred Outflows and Deferred Inflows

<i>Deferred Outflow of Resources</i>	Year	Original Loss	Amortization Period	Amount to be Amortized Each Year	Deferred Outflow Amount
Differences between expected and actual experience	2017	\$ 9,658	4	\$ 2,415	\$ 4,828
Difference due to assumption changes	n/a	-	n/a	-	-
Differences between expected and actual experience Difference due to assumption changes	2016	197,663	5	39,533	79,064
Net differences between projected and actual earnings on pension plan investments	2017	385,721	5	77,144	231,433
Net differences between projected and actual earnings on pension plan investments	2018	54,979	5	10,996	43,983
Total		648,021		130,088	359,308

<i>Deferred Inflow of Resources</i>	Year	Original Gain	Amortization Period	Amount to be Amortized Each Year	Deferred Inflow Amount
Differences between expected and actual experience	2018	\$ 38,995	2	\$ 19,498	\$ 19,497
Difference due to assumption changes	n/a	-	n/a	-	-
Net differences between projected and actual earnings on pension plan investments	2015	230,102	5	46,020	46,022
Total		269,097		65,518	65,519

PSPP PLAN

Plan description. Employees of Lenoir 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 publicly available financial report that can be obtained at www.treasury.state.tn.us/tcrs.

Benefits provided. Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. 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. 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 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****PSPP PLAN** (Continued)

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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>49</u>
	<u>53</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 4 percent of salary. Lenoir City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for Lenoir City were \$103,363 for general staff, \$428,244 for public safety employees and \$15,235 for stormwater employees based on a rate of 16.06 percent for general staff covered payroll, 19.56 percent for public safety employees covered payroll and 16.06 percent for stormwater employees covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lenoir 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 costs 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)

Lenoir City's net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.78 to 3.45 percent based on age including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee** (Continued)**PSPP PLAN** (Continued)**Net Pension Liability (Asset)** (Continued)*Actuarial assumptions* (continued)

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)

City of Lenoir City, Tennessee (Continued)

PSPP PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/16	\$ 1,972	\$ 9,918	\$ (7,946)
Changes for the year:			
Service cost	11,109	-	11,109
Interest	971	-	971
Change of benefit terms	-	-	-
Differences between expected and actual experience	3,601,346	-	3,601,346
Changes in assumptions	585,907	-	585,907
Contributions - employer	-	412,157	(412,157)
Contributions - employees	-	677,449	(677,449)
Net investment income	-	62,698	(62,698)
Benefit payments, including refunds of employee contributions	(260)	(260)	-
Administrative expense	-	(2,615)	2,615
Other changes	-	-	-
Net changes	4,199,073	1,149,429	3,049,644
Balance at 6/30/17	\$ 4,201,045	\$ 1,159,347	\$ 3,041,698

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Lenoir City's net pension liability (asset)	\$ 3,772,321	\$ 3,041,698	\$ 2,438,096

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**City of Lenoir City, Tennessee (Continued)****PSPP PLAN** (Continued)**Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Pension expense (negative pension expense). For the year ended June 30, 2018, Lenoir City recognized pension expense (negative pension expense) of (\$328,515).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Lenoir City 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	\$ 3,273,951	\$ 7,308
Net difference between projected and actual earnings on pension plan investments	-	16,821
Changes in assumptions	532,643	-
Contributions subsequent to the measurement date of June 30, 2017	<u>546,842</u>	<u>-</u>
Total	<u>\$ 4,353,436</u>	<u>\$ 24,129</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

	<u>Total</u>
Year Ended June 30:	
2019	\$ 375,735
2020	375,735
2021	375,735
2022	375,688
2023	379,928
Thereafter	1,899,644

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

Payable to the Pension Plan

At June 30, 2018, Lenoir City reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education****PSPP PLAN**

Plan description. Employees of Lenoir City Schools 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 publicly available financial report that can be obtained at www.treasury.state.tn.us/tcrs/.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with 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. 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 service related retirement benefits but are reduced 10 percent 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	101
Active employees	<u>111</u>
	<u>260</u>

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 percent of salary. Lenoir City Schools makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for Lenoir City Schools were \$93,108 based on a rate of 3.18 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lenoir City Schools' 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 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 LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****PSPP PLAN** (Continued)**Net Pension Liability (Asset)**

Lenoir City Schools' net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent	
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age including inflation, averaging 4.00 percent	
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation	
Cost-of-Living Adjustment	2.25 percent	

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****PSPP PLAN** (Continued)**Net Pension Liability (Asset)** (Continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 Lenoir City School System 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 the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/16	<u>\$ 7,506,309</u>	<u>\$ 7,811,950</u>	<u>\$ (305,641)</u>
Changes for the year:			
Service cost	245,995	-	245,995
Interest	572,995	-	572,995
Differences between expected and actual experience	(34,146)	-	(34,146)
Contributions - employer	177,143	92,733	84,410
Contributions - employees	-	145,809	(145,809)
Net investment income	-	885,560	(885,560)
Benefit payments, including refunds of employee contributions	(224,749)	(224,749)	-
Administrative expense	-	(9,517)	9,517
Net changes	<u>737,238</u>	<u>889,836</u>	<u>(152,598)</u>
Balance at 6/30/17	<u>\$ 8,243,547</u>	<u>\$ 8,701,786</u>	<u>\$ (458,239)</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****PSPP PLAN** (Continued)**Changes in the Net Pension Liability (Asset) (Continued)**

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Lenoir City Schools' net pension liability (asset)	\$ 632,295	\$ (458,239)	\$ (1,368,231)

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

Pension expense. For the year ended June 30, 2018, Lenoir City Schools recognized pension expense of \$41,354.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Lenoir City Schools 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	\$ 36,797	\$ 173,510
Net difference between projected and actual earnings on pension plan investments	-	975
Change in assumptions	141,714	-
Contributions subsequent to the measurement date of June 30, 2017	93,108	-
Total	<u>\$ 271,619</u>	<u>\$ 174,485</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****PSPP PLAN** (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

	Total
Year Ended June 30:	
2019	\$ (55,287)
2020	59,015
2021	22,398
2022	(22,100)
2023	-
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2018, Lenoir City Schools reported a payable of \$13,337 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

SETHEPP PLAN

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lenoir City Schools 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 publicly available financial report that can be obtained at www.treasury.state.tn.us/tcrs/.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****SETHEPP PLAN** (Continued)

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 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 percent 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension 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.

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 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lenoir City Schools for the year ended June 30, 2018 to the Teacher Legacy Pension Plan were \$744,117 which is 9.08 percent 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.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2018, the Lenoir City Schools reported an asset of \$77,647 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. Lenoir City Schools' proportion of the net pension asset was based on Lenoir City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Lenoir City Schools' proportion was 0.237326 percent. The proportion measured as of June 30, 2016 was 0.233646 percent.

Pension expense. For the year ended June 30, 2018, Lenoir City Schools recognized a pension expense of \$13,211.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****SETHEPP PLAN** (Continued)**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Lenoir City Schools 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	\$ 46,812	\$ 1,603,087
Changes in assumptions	657,642	-
Net difference between projected and actual earnings on pension plan investments	11,787	-
Changes in proportion of Net Pension Liability (Asset)	66,489	32,623
Lenoir City School's contributions subsequent to the measurement date of June 30, 2017	<u>744,117</u>	<u>N/A</u>
Total	<u>\$ 1,526,847</u>	<u>\$ 1,635,710</u>

Lenoir City Schools' employer contributions of \$744,117, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ (543,305)
2020	251,059
2021	(187,798)
2022	(372,936)
2023	-
Thereafter	-

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****SETHEPP PLAN (Continued)****Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****SETHEPP PLAN** (Continued)**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 all 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 Lenoir City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lenoir City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Lenoir City Schools' proportionate share of the net pension liability (asset)	\$ 6,967,327	\$ (77,647)	\$ (5,900,786)

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

Payable to the Pension Plan

At June 30, 2018, Lenoir City Schools reported a payable of \$169,134 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

TEACHER RETIREMENT PLAN

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lenoir City Schools 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 publicly available financial report that can be obtained at www.treasury.state.tn.us/tcrs/.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****TEACHER RETIREMENT PLAN (Continued)**

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. Members are vested with five 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 percent 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. 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.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018 to the Teacher Retirement Plan were \$67,613, which is 4 percent 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.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2018, Lenoir City Schools reported an asset of \$52,732 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Lenoir City Schools' proportion of the net pension asset was based on Lenoir City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Lenoir City Schools' proportion was 0.199871 percent. The proportion measured as of June 30, 2016 was 0.223386 percent.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****TEACHER RETIREMENT PLAN (Continued)****Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Pension expense. For the year ended June 30, 2018, Lenoir City Schools recognized a pension expense of \$24,111.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Lenoir City Schools reported 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	\$ 1,848	\$ 3,966
Net difference between projected and actual earnings on pension plan investments	-	2,837
Changes in assumptions	4,633	-
Changes in proportion of Net Pension Liability (Asset)	2,786	-
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>67,613</u>	<u>N/A</u>
Total	<u>\$ 76,880</u>	<u>\$ 6,803</u>

Lenoir City Schools' employer contributions of \$67,613, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ (60)
2020	(60)
2021	(222)
2022	(952)
2023	386
Thereafter	3,372

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****TEACHER RETIREMENT PLAN (Continued)****Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

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

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

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

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

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

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Board of Education (Continued)****TEACHER RETIREMENT PLAN** (Continued)**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 all 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 Lenoir City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lenoir City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Lenoir City Schools' proportionate share of the net pension liability (asset)	\$ 10,521	\$ (52,732)	\$ (99,131)

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

Payable to the Pension Plan

At June 30, 2018, Lenoir City Schools reported a payable of \$16,957 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board**General Information about the Pension Plan

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

Benefits provided. The Plan provides retirement, disability and death benefits for all full time employees who are 18 years of age, have completed twelve months of service and have an agreement in writing to make required contributions. The eligible employee will become a participant effective the first day of the month following on which the employee meets the eligibility requirements. The normal retirement date is the first day of the month coinciding with or next following attainment of age 64 or 34 years of service, whichever is earlier. The monthly normal retirement benefit for the Plan participants is calculated as fifty percent of average compensation adjusted for years of service less than 15 years. The normal form of benefit paid is a 10 year certain and continuous annuity for single participants, actuarially equivalent joint & 50% survivor annuity for married participants. Early retirement age is the date the participant has both attained age 50 and with ten years of credited service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit. Benefit terms do provide up to 3.0% cost-of-living adjustments based on the CPI for Urban Consumers. This applies only to individuals who choose a monthly benefit in lieu of lump sum distribution.

Employees covered by benefit terms. Below is a reconciliation of participants from July 1, 2016 to June 30, 2017:

		Active	Deferred Vested	Retired	Beneficiaries	Total
7/1/2016	Participants	135	8	0	2	145
	New Participants	9				9
	Vested Terminations	(4)	4			0
	Nonvested Terminations					0
	Rehires					0
	Lump Sum Payments	(4)	(1)		(1)	(6)
	Retired	(1)		1		0
	Deceased					0
	Beneficiaries					0
	Data Corrections					0
6/30/2017	Participants	135	11	1	1	148

Contributions. The Utilities Board has the authority to establish and amend the contribution requirements of the Departments. The Utilities Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, the Utilities Board's average contribution rate was 30.7%. Contributions to the Plan from the Utilities Board were \$2,283,807 for the year ended June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board** (Continued)Net Pension Liability

At June 30, 2018, the Utilities Board reported a liability of \$4,093,846 for the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For the year ended June 30, 2018, the Utilities Board recognized pension expense of \$1,198,574.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent per annum
Salary increases	3.00 percent per annum
Investment rate of return	7.00 percent per annum

Mortality rates were based on the Mortality Table RP2014 adjusted to 2006 with Mortality Improvement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2014.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity — Small Cap	8.40%
Domestic Equity — Large Cap	7.83%
Domestic Equity — Mid Cap	8.40%
International Equity	7.64%
International Equity — Emerging Markets	8.69%
Fixed Income	4.42%
Cash	3.23%

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)**Net Pension Liability (Continued)**Discount Rate**

7.00% per annum, compounded annually

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

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Beginning balance*	\$ 27,502,270	\$ 21,659,233	\$ 5,843,037
Changes for the year:			
Service cost	674,028	-	674,028
Interest expense	1,912,526	-	1,912,526
Difference between expected and actual experience	1,560,391	-	1,560,391
Contributions - employer	-	2,740,868	(2,740,868)
Contributions - employee	-	254,702	(254,702)
Net investment income	-	3,001,244	(3,001,244)
Benefits paid	(1,708,999)	(1,708,999)	-
Plan administrative expenses	-	(100,678)	100,678
Net changes	2,437,946	4,187,137	(1,749,191)
Ending balance*	\$ 29,940,216	\$ 25,846,370	\$ 4,093,846

*June 30, 2017 is the measurement date and the reporting date is June 30, 2018.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)**Changes in the Net Pension Liability (Continued)

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

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 6,211,580	\$ 4,093,846	\$ 2,211,501

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

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

	Fiscal Year Ending June 30, 2018
Service cost	\$ 674,028
Interest	1,912,526
Benefit changes	
Contributions--members	(254,702)
Expected investment return	(1,557,653)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of economic/demographic gains or losses	362,748
Recognition of investment gains or losses	(213,250)
Recognition of assumption changes or inputs	174,501
Plan administrative expenses	100,678
Pension Expense	\$ 1,198,876

At June 30, 2018, the Utilities Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,344,212	\$
Net difference between projected and actual earnings	949,092	1,440,256
Changes of assumptions	1,047,005	
Contributions made subsequent to measurement date	2,283,808	
	\$ 6,624,117	\$ 1,440,256

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(6) Retirement Plans (Continued)**Lenoir City Utilities Board (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$2,283,808 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	323,999
2020		609,383
2021		475,919
2022		248,531
2023		537,249
Thereafter		704,972

(7) Fair Value Measurements**The Retirement Income Plan for Employees of the City of Lenoir City, Tennessee**

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2018			
Investments by fair value level				
Debt securities				
Mutual funds - fixed income	\$ 832,057	\$ 832,057	\$ -	\$ -
Corporate - fixed income	99,564	-	99,564	-
Municipal - fixed income	117,373	-	117,373	-
Other - fixed income	216,412	-	-	216,412
US government obligations	143,610	-	143,610	-
Total debt securities	1,409,016	832,057	360,547	216,412
Equity securities				
Exchange traded funds	951,237	951,237	-	-
Mutual funds - equity	529,972	529,972	-	-
Total equity securities	1,481,209	1,481,209	-	-
Total investments	\$ 2,890,225	\$ 2,313,266	\$ 360,547	\$ 216,412

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a pricing service that use matrix pricing. A level 2 input would be a price or yield of a similar debt security.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined by the financial institution.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Fair Value Measurements (Continued)**The Retirement Income Plan for Employees of the City of Lenoir City, Tennessee (Continued)**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 Inputs):

	<u>2018</u>
Certificates of deposit:	
Beginning balance	\$ 148,252
Unrealized loss	(2,725)
Additions	<u>70,885</u>
Ending balance	<u>\$ 216,412</u>

Lenoir City Utilities Board Employees' Retirement Plan

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2018:

	<u>June 30, 2018</u>	<u>Fair Value Measurement using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments by fair value level:		
Mutual funds:		
Equities	\$ 15,632,659	\$ 15,632,659
Fixed Income	8,519,457	8,519,457
Exchange Traded Funds	<u>5,155,219</u>	<u>5,155,219</u>
	<u>\$ 29,307,335</u>	<u>\$ 29,307,335</u>

Mutual funds and exchange traded funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

(8) Other Postemployment Benefits (OPEB)**City of Lenoir City, Tennessee**

Postemployment health care and prescription drug benefits are available to permanent full-time employees of the City. Hospitalization insurance is provided to retired employees until age 65 or until eligible for Medicare. Dental and vision benefits are provided up to a cap of \$2,000 per year.

Plan Description

The City of Lenoir City, Tennessee Retiree Medical and Prescription Drug Plan (LCRMPDP) is a single-employer defined benefit healthcare plan administered by the City of Lenoir City, Tennessee. LCRMPDP provides medical and prescription drug benefits to eligible retirees. The City has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Lenoir City, Tennessee (Continued)**

(Latest Information Available)

Employees Covered by Benefit Terms

At July 1, 2017, the following employees of the City of Lenoir City, Tennessee were covered by the benefit terms of the Local Government OPEB Plan (LGOP):

Active employees (Public Safety)	31
Active employees (Non-Public Safety)	29
Retirees, including covered spouses (Non-Public Safety)	<u>2</u>
Total	<u>62</u>

Summary of Plan Provisions*Benefits Provided*

The medical and prescription drug benefits provided are identical to those benefits provided to active employees under the City of Lenoir City medical plan.

Plan Participation

100% of future eligible retirees are assumed to elect medical coverage upon retirement.

Dependent Coverage

There is no provision for spouse or dependent coverage under the retiree medical plan.

Expected Long-Term Rate of Return on Plan Assets

Not applicable

Actuarial Valuation Methods

Entry Age Normal

Asset Valuation Method

Not applicable

Valuation Date

July 1, 2017

Funding Policy

The benefits of the City of Lenoir City Post Employments Benefits Other Than Pensions are funded on a pay-as-you-go basis. The company funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement benefits.

Benefit Eligibility – Medical and Life

Non-Public Safety employees attained at age 62, 25 years of service, or Public Safety employees attained at age 55 with 25 years of service.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Lenoir City, Tennessee** (Continued)Summary of Plan Provisions (Continued)*Medical Benefits – Coordination with Medicare*

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

Legislative Changes

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future.

In particular, the anticipated future excise tax has been valued and added to the liability reflected in this valuation report. The estimated present value of all future excise tax payments is approximately \$300 000.

Amortization Method

Experience gains or losses are amortized over the average working lifetime of all participants. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Net OPEB Liability

At June 30, 2018, the City of Lenoir City reported a liability of \$1,355,168 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not applicable
Salary Increases	Not applicable
Healthcare costs trend rates	8.00 percent on 2017 graded uniformly to 5.00 percent over 10 years
Retiree's share of benefit-related costs	Members are not required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Discount rate – The discount rate used to measure the total OPEB liability was 3.13 percent. The discount rate is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2017.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Lenoir City, Tennessee** (Continued)Net OPEB Liability (Continued)Determination of Net OPEB Liability

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB Liability	\$ 1,355,168
Plan Fiduciary Net Position	0
Net OPEB Liability	<u>\$ 1,355,168</u>

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Beginning balance*	<u>\$ 1,302,810</u>	<u>\$ -</u>	<u>\$ 1,302,810</u>
Changes for the year:			
Service cost	38,592	-	38,592
Interest expense	39,958	-	39,958
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions--Employer	-	26,192	(26,192)
Contributions--Members	-	-	-
Net investment income	-	-	-
Refunds of contributions	-	-	-
Benefits paid	(26,192)	(26,192)	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	<u>52,358</u>	<u>-</u>	<u>52,358</u>
Ending balance*	<u>\$ 1,355,168</u>	<u>\$ -</u>	<u>\$ 1,355,168</u>

* June 30, 2017 is the measurement date and the reporting date is June 30, 2018

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Lenoir City, Tennessee (Continued)**Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease (7.00% decreasing to 4.00%) over 10 years	Healthcare Cost Trend Rate (8.00% decreasing to 5.00%) over 10 years	1% Increase (9.00% decreasing to 6.00%) over 10 years
Net OPEB Liability	\$ 1,194,526	\$ 1,355,168	\$ 1,544,248

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (1.71%)	Discount Rate (2.71%)	1% Increase (3.71%)
Net OPEB Liability	\$ 1,525,303	\$ 1,355,168	\$ 1,204,441

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

For the fiscal year ended June 30, 2017, the City of Lenoir City recognized OPEB expense of \$78,550 and deferred outflows of resources and deferred inflows of resources in relation to benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience losses (gains) - June 30, 2017	\$ -	\$ -
Changes of assumptions	-	-
Total	\$ -	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2018 will be recognized in OPEB expense as follows:

For the year ended June 30:

2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Lenoir City, Tennessee (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

GASB Statement No. 75 requires contributions between the measurement date (June 30, 2017) and the disclosure date (June 30, 2019) for Statement No. 75 to be reported as a deferred outflow of resources.

Schedule of Changes in Deferred Outflows/Inflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balances—at June 30, 2016	\$ -	\$ -
Changes for the year:		
Contribution (prior year expected)	-	-
contribution (current year expected)	26,192	-
Experience losses (gains)	-	-
Asset losses (gains)	-	-
Amortization of gains/losses	-	-
Net changes	26,192	-
Balances—at June 30, 2017*	\$ 26,192	\$ -

* Deferred OPEB outflows include deferred losses of \$ - 0 - plus expected contributions of \$26,192

Cumulative Effect of Change in Accounting Principle

Effective July 1, 2017, the City of Lenoir City adopted GASB Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other than Pensions." The standards change the accounting and reporting for OPEB in governmental financial statements. The effect of the adoption of this standard has caused the City of Lenoir City to restate its beginning net position by reporting a cumulative effect of change in accounting principle effective July 1, 2017. The new standard required the City of Lenoir City to report in its financial statements total OPEB liability along with certain other potential financial statement elements (deferred outflows and deferred inflows of resources). The following table describes the components of the resulting cumulative effect of change in accounting principle:

Remove net OPEB obligation under GASB No. 45	\$ 52,358
Net OPEB liability under GASB No. 75	<u>(1,176,732)</u>
Cumulative effect of change in accounting principle	<u>\$ (1,124,374)</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Schools Teacher Group Plan**

Plan Description. Employees of Lenoir City Schools, 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-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. Lenoir City Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disable participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings 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. Lenoir City Schools provide \$125 per month to retired teachers who have not reached Medicare eligibility. The state, 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 services will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms. At July 1, 2017, the following employees of Lenoir City Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	20
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>229</u>
	<u>249</u>

An insurance committee, created in accordance with TCA 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 plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, Lenoir City Schools paid \$128,064 to the TGOP for OPEB benefits as they came due.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)Lenoir City Schools Teacher Group Plan (Continued)Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2017 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 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	7.5 percent for 2018, decreasing annually to an ultimate rate of 3.71 percent for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate. The discount rate used to measure the total OPEB liability was 3.56 percent. 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 shown on the Fidelity 20-Year Municipal GO AA index.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)Lenoir City Schools Teacher Group Plan (Continued)**Changes in Collective Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balances at June 30, 2016	\$ 3,086,381
Changes for the year:	
Service cost	168,562
Interest	92,411
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(138,609)
Benefit payments	(180,370)
Net changes	(58,006)
Balances at June 30, 2017	\$ 3,028,375
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 940,002
Employer's proportionate share of the collective total OPEB liability	\$ 2,088,373
Employer's proportion of the collective total OPEB liability	68.96%

Lenoir City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Lenoir City Schools proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.00% from the prior measurement date. Lenoir City Schools recognized \$76,524 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Lenoir City Schools retirees.

Changes in assumptions. The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount 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 a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	<u>1% Decrease (2.56%)</u>	<u>Current Discount Rate Assumption (3.56%)</u>	<u>1% Increase (4.56%)</u>
Proportionate share of collective total OPEB liability	\$ 2,238,852	\$ 2,088,373	\$ 1,945,076

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)Lenoir City Schools Teacher Group Plan (Continued)**Changes in Collective Total OPEB Liability** (Continued)

Sensitivity of proportionate share of the collective total OPEB liability to changes 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 a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate:

	1% Decrease (6.50% decreasing to 2.71%)	Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)	1% Increase (8.50% decreasing to 4.71%)
Proportionate share of collective total OPEB liability	\$ 1,858,156	\$ 2,088,373	\$ 2,362,159

OPEB expense. For the fiscal year ended June 30, 2018, Lenoir City Schools recognized OPEB expense of \$128,064.

Deferred outflows of resources and deferred inflows of resources. For the fiscal year ended June 30, 2018, Lenoir City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	85,629
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due	-	-
Employer payments subsequent to the measurement date of June 30, 2017	128,064	N/A
Total	\$ 128,064	\$ 85,629

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

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

Year Ended June 30:	
2019	\$ (9,956)
2020	(9,956)
2021	(9,956)
2022	(9,957)
2023	(9,957)
Thereafter	(35,847)

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)Lenoir City Schools Teacher Group Plan (Continued)**Cumulative Effect of Change in Accounting Principle**

Effective July 1, 2017, Lenoir City Schools adopted GASB Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other than Pensions." The standards change the accounting and reporting for OPEB in governmental financial statements. The effect of the adoption of this standard has caused the Lenoir City Schools to restate its beginning net position by reporting a cumulative effect of change in accounting principle effective July 1, 2017. The new standard required Lenoir City Schools to report in its financial statements total OPEB liability along with certain other potential financial statement elements (deferred outflows and deferred inflows of resources). The following table describes the components of the resulting cumulative effect of change in accounting principle:

Remove net OPEB obligation under GASB No. 45 at July 1, 2017	\$ 675,911
Record net OPEB liability under GASB No. 75 at July 1, 2017	(2,128,375)
Record net deferred outflows - benefit payments subsequent to the measurement date at July 1, 2017	<u>124,384</u>
Cumulative effect of change in accounting principle	<u>\$ (1,328,080)</u>

Lenoir City Utilities Board

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

Plan Description

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

(Latest Information Available)

Employees Covered by Benefit Terms

At July 1, 2016, the following employees of Lenoir City Utilities Board were covered by the benefit terms of the Local Government OPEB Plan (LGOP):

Inactive employees currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>144</u>
Total	<u>155</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board** (Continued)Summary of Plan Provisions*Life Insurance*

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

Plan Participation

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

Dependent Coverage

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

Expected Long-Term Rate of Return on Plan Assets

Not applicable

Actuarial Valuation Methods

Entry Age Normal

Asset Valuation Method

Not applicable

Valuation Date

July 1, 2016

Funding Policy

The benefits of the postretirement medical plan are unfunded. No assets have been segregated and restricted to provide for postretirement medical benefits.

Benefit Eligibility – Medical and Life

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)**Summary of Plan Provisions (Continued)*Medical Benefits – Coordination with Medicare*

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

Legislative Changes

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future.

In particular, the anticipated future excise tax has been valued and added to the liability reflected in this valuation report. The estimated present value of all future excise tax payments is approximately \$1,591,844.

Amortization Method

Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 9 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Net OPEB Liability

At June 30, 2018, the Utilities Board reported a liability of \$8,684,202 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions - The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	3.50 percent per annum
Healthcare costs trend rates	8.00 percent on 2016 graded uniformly to 5.00 percent over 6 years
Retiree's share of benefit-related costs	Members are not required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Discount rate – The discount rate used to measure the total OPEB liability was 2.71 percent. The discount rate is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2016.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board** (Continued)Net OPEB Liability (Continued)Determination of Net OPEB Liability

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB Liability	\$ 8,684,202
Plan Fiduciary Net Position	0
Net OPEB Liability	<u>\$ 8,684,202</u>

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Beginning balance*	\$ 8,193,725	\$ -	\$ 8,193,725
Changes for the year:			
Service cost	467,078	-	467,078
Interest expense	231,883	-	231,883
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions--Employer	-	208,484	(208,484)
Contributions--Members	-	-	-
Net investment income	-	-	-
Refunds of contributions	-	-	-
Benefits paid	(208,484)	(208,484)	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	<u>490,477</u>	<u>-</u>	<u>490,477</u>
Ending balance*	<u>\$ 8,684,202</u>	<u>\$ -</u>	<u>\$ 8,684,202</u>

* June 30, 2017 is the measurement date and the reporting date is June 30, 2018

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)**Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease (1.71%)	Discount Rate (2.71%)	1% Increase (3.71%)
Net OPEB Liability	\$ 9,708,481	\$ 8,684,202	\$ 7,696,010

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (7.00% decreasing to 4.00%) over 6 years	Healthcare Cost Trend Rate (8.00% decreasing to 5.00%) over 6 years	1% Increase (9.00% decreasing to 6.00%) over 6 years
Net OPEB Liability	\$ 7,745,642	\$ 8,684,202	\$ 9,625,579

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

For the fiscal year ended June 30, 2018, the Utilities Board recognized OPEB expense of \$698,961 and deferred outflows of resources and deferred inflows of resources in relation to benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience losses (gains) - June 30, 2018	\$ -	\$ -
Changes of assumptions	-	-
Total	\$ -	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2018 will be recognized in OPEB expense as follows:

For the year ended June 30:

2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

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

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Lenoir City Utilities Board (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

GASB Statement No. 75 requires contributions between the measurement date (June 30, 2017) and the disclosure date (June 30, 2019) for Statement No. 75 to be reported as a deferred outflow of resources.

Schedule of Changes in Deferred Outflows/Inflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balances—at June 30, 2017	\$ -	\$ -
Changes for the year:		
Contribution (prior year expected)	-	-
contribution (current year expected)	234,565	-
Experience losses (gains)	-	-
Asset losses (gains)	-	-
Amortization of gains/losses	-	-
Net changes	234,565	-
Balances—at June 30, 2018*	<u>\$ 234,565</u>	<u>\$ -</u>

* Deferred OPEB outflows include deferred losses of \$ - 0 - plus expected contributions of \$234,565

Cumulative Effect of Change in Accounting Principle

Effective July 1, 2017, the Utilities Board adopted GASB Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other than Pensions." The standards change the accounting and reporting for OPEB in governmental financial statements. The effect of the adoption of this standard has caused the Utilities Board to restate its beginning net position by reporting a cumulative effect of change in accounting principle effective July 1, 2017. The new standard required the Utilities Board to report in its financial statements total OPEB liability along with certain other potential financial statement elements (deferred outflows and deferred inflows of resources). The following table describes the components of the resulting cumulative effect of change in accounting principle:

Remove net OPEB obligation under GASB No. 45	\$ 3,626,818
Net OPEB liability under GASB No. 75	<u>(8,193,725)</u>
Cumulative effect of change in accounting principle	<u>\$ (4,566,907)</u>

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(9) Lease Commitments**City of Lenoir City, Tennessee**

The City rents office and storage space for the Fire Department. Total rental expense was \$6,852 for the year ended June 30, 2018.

Lenoir City Utilities Board

The Lenoir City Utilities Board Power and Light Department rents various transmission lines and other equipment from TVA on a month-to-month basis at a cost of \$1,333 per month. Total rental expenses applicable to such lines and equipment amounted to \$16,000 in 2018.

Certain short-term arrangements provide for the Power and Light Department's joint utilization of other local utilities' distribution facilities in its system. Other similar agreements provide for the joint use of the Power and Light Department's distribution facilities by other utilities and certain customers. Rental revenues from the above-mentioned arrangements amounted to \$2,685,472 in 2018. Rental expense applicable to such agreements amounted to \$122,115 in 2018.

(10) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2018 are as follows:

Due From:	Due To:							Total
	Sanitation Fund	Federal Projects Fund	School Debt Service Fund	General Fund	Cafeteria Fund	City - Capital Projects	DVIP	
DVIP	\$ -	\$ -	\$ -	\$ 32,219	\$ -	\$ -	\$ -	\$ 32,219
Capital Projects	-	-	-	84,463	-	-	-	84,463
General Fund	-	-	-	-	-	11,780	984	12,764
Stormwater Fund	-	-	-	188,021	-	-	-	188,021
Utilities	31,208	-	-	-	-	-	-	31,208
General Purpose School Fund	-	5,300	18,354	-	10,214	-	-	33,868
Capital Projects - Schools	-	-	19,816	-	-	-	-	19,816
	<u>\$ 31,208</u>	<u>\$ 5,300</u>	<u>\$ 38,170</u>	<u>\$ 304,703</u>	<u>\$ 10,214</u>	<u>\$ 11,780</u>	<u>\$ 984</u>	<u>\$ 402,359</u>

The General Fund collects and remits development monies to the Downtown Visual Improvement Fund.

The State Street Aid paid expenses for the General Fund in the current year and has not been reimbursed.

A Debt Service Fund deposit was erroneously deposited into the Capital Projects - Schools Fund in a prior year and it has not been reimbursed.

The Debt Service Fund paid interest on bonds for the General Purpose School Fund in a prior year and it has not been reimbursed.

The General Purpose School Fund receives all revenues from the State of Tennessee. The amounts due to the Cafeteria Fund and Federal Projects Fund were received near year end.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(11) Due From Other Governments

Amounts due from other governments at June 30, 2018 consist of the following:

Loudon County	Local Sales Tax	\$ 835,973
State of Tennessee	City Streets and Transportation	2,881
State of Tennessee	Sales Tax	130,374
State of Tennessee	Income Tax	14,552
State of Tennessee	Gasoline and Motor Fuel Tax	50,901
State of Tennessee	Mixed Drink Tax	7,684
State of Tennessee	Telecommunications Tax	1,290
State of Tennessee	Education Pass-Through to Schools	253,284
State of Tennessee	Business Tax	6,376
State of Tennessee	Various Grants	334,126
Lenoir City Utilities Board	Special Police and Street Services	2,320
Loudon County	Property Tax	5,201,027
Loudon County	General Sessions	1,011
Loudon County	Rent on Career Center	17,697
Loudon County	Various - Schools	205,353
Lenoir City Utilities Board	Capital Projects	13,060
		<u>\$ 7,077,909</u>

(12) Prepaid Expenses

Prepaid expenses consisted of the following at June 30, 2018:

	<u>Utility</u>	<u>General Fund</u>	<u>Total</u>
Prepaid natural gas in storage	\$ 174,840	\$ -	\$ 174,840
Prepaid expenses	<u>940,541</u>	<u>-</u>	<u>940,541</u>
	<u>\$ 1,115,381</u>	<u>\$ -</u>	<u>\$ 1,115,381</u>

(13) Tennessee Valley Authority's Energy Right Program

The Lenoir City Utilities Board is participating in Tennessee Valley Authority's (TVA) Energy Right Program, which provides interest-bearing loans to the Utility's residential customers for heat pumps.

(14) Power Contract

The Lenoir City Utilities Board – Electric Department has a contract to purchase all of its electric power from the Tennessee Valley Authority, subject to certain restrictions and conditions as provided in the contract.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(15) Segment Information

The following departmental information is shown as of and for the year ended June 30, 2018:

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Assets:				
Current assets	\$ 45,866,465	\$ 3,568,111	\$ 1,956,686	\$ 5,263,710
Restricted assets	-	-	-	57,825
Capital assets	201,773,242	9,424,664	20,762,744	34,206,422
Other assets	1,440,224	-	-	-
Total assets	\$ 249,079,931	\$ 12,992,775	\$ 22,719,430	\$ 39,527,957
Deferred outflows of resources	\$ 4,483,270	\$ 397,252	\$ 454,002	\$ 340,501
Liabilities:				
Current liabilities payable from current assets	\$ 44,312,491	\$ 678,524	\$ 1,226,877	\$ 1,394,445
Due to other departments payable from current assets	(545,065)	113,461	349,298	82,306
Current liabilities payable from restricted assets	-	-	-	9,533
Long-term debt, excluding current maturities	54,872,592	1,258,624	8,411,745	16,506,886
Net pension liability	3,234,138	286,569	327,508	245,631
Other liabilities	8,339,960	607,894	694,736	631,700
Total liabilities	\$ 110,214,116	\$ 2,945,072	\$ 11,010,164	\$ 18,870,501
Deferred Inflows of resources	\$ 388,020	\$ 34,381	\$ 39,293	\$ 29,470
Net position:				
Net investment in capital assets	\$ 144,596,983	\$ 7,927,040	\$ 11,563,568	\$ 16,594,118
Restricted for debt service	-	-	-	57,825
Unrestricted	(1,635,918)	2,483,534	560,407	4,316,544
	\$ 142,961,065	\$ 10,410,574	\$ 12,123,975	\$ 20,968,487

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(15) Segment Information (Continued)

	Power and Light Department	Gas Department	Water and Sewer Department	
			Water Division	Sewer Division
Operating revenues	\$ 169,834,995	\$ 5,005,737	\$ 4,330,386	\$ 3,806,959
Operating expenses:				
Purchasing energy	134,543,947	2,085,591	-	-
Distribution and treatment	7,144,737	553,276	1,869,152	779,584
Customer account services	2,689,601	143,580	157,279	91,211
Administration and general	3,748,660	328,164	344,608	315,271
Maintenance	4,522,034	511,335	672,116	722,846
Depreciation	7,228,576	491,868	814,925	1,008,500
	159,877,555	4,113,814	3,858,080	2,917,412
Operating income	9,957,440	891,923	472,306	889,547
Non-operating revenues (expenses):				
Interest income	59,717	15,454	6,662	21,823
Interest expense	(641,855)	(45,233)	(203,561)	(305,807)
Miscellaneous income (expense)	34,100	(10,670)	-	-
	(548,038)	(40,449)	(196,899)	(283,984)
Income before contributions and transfers	9,409,402	851,474	275,407	605,563
Government contributions	-	-	-	441,652
Transfers to local government - in lieu of tax	(3,266,931)	(203,057)	-	-
Change in net position	6,142,471	648,417	275,407	1,047,215
Net position, beginning, as previously stated	140,426,451	10,081,840	12,213,921	20,195,286
Cumulative effect of change in accounting principle (see note 8)	(3,607,857)	(319,683)	(365,353)	(274,014)
Net position, beginning, as restated	136,818,594	9,762,157	11,848,568	19,921,272
Net position, ending	\$ 142,961,065	\$ 10,410,574	\$ 12,123,975	\$ 20,968,487
Net cash provided by operating activities	\$ 11,550,724	\$ 1,267,097	\$ 1,121,983	\$ 1,847,933
Net cash used by noncapital and related financing activities	(3,224,367)	(213,727)	-	-
Net cash used by capital and related financing activities	(11,914,634)	(639,021)	(1,522,588)	(3,462,015)
Net cash provided by investing activities	67,135	24,926	163,334	1,308
Net increase (decrease) in cash and cash equivalents	(3,521,142)	439,275	(237,271)	(1,612,774)
Cash and cash equivalents, beginning of year	23,565,447	2,519,322	1,314,526	6,094,320
Cash and cash equivalents, end of year	\$ 20,044,305	\$ 2,958,597	\$ 1,077,255	\$ 4,481,546

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(16) Contingency

The Power and Light Department has a substantial amount of its electrical distributions system in Knox County, Tennessee. In prior years, Knoxville Utilities Board (KUB) has acquired a portion of the System which was annexed by the City of Knoxville. Current state law requires that LCUB be compensated at appraised fair market value by KUB for any electrical distribution equipment and services annexed and acquired by the City of Knoxville. As of June 30, 2018, LCUB has approximately \$8,300,000 of net utility plant inside the present city limits of Knoxville and approximately \$99,600,000 in Knox County outside the present city limits of Knoxville which could possibly be transferred to KUB in future years at appraised fair market value.

(17) Joint Venture

The City has entered into a joint venture with Loudon County for the leasing, operation and management of a multi-use Career Center located in Lenoir City. The joint venture collects lease payments from various lessees for the use of the facility. The joint venture is responsible for the maintenance of the facility. The City has a 40% interest in this joint venture and is reporting it under the equity method.

The joint venture is required to pay all surpluses after maintenance reserve is funded to the City and Loudon County based upon their interest in the joint venture. As of June 30, 2018, the City had recorded a \$17,697 receivable from the joint venture for its portion of the surpluses for the year then ended.

Complete financial statements of the Career Center can be obtained from:

Traci Blair
County of Loudon – Central Accounting
100 River Road
Loudon, TN 37774

(18) Litigation

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

(19) 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 purchases commercial insurance for all of these risks of loss. Settled claims have not yet exceeded this commercial coverage in any of the past three fiscal years.

(20) Self-Insured Dental and Vision Plan

Effective January 1, 1998, the City began self-insuring a portion of the first \$4,000 of annual dental claims for each regular full-time employee and their dependents, with a maximum annual benefit of \$2,000 per covered individual. The City also began self-insuring a portion of the first \$300 of annual vision claims for each regular full-time employee, with a maximum annual benefit of \$300 per covered employee. Liabilities for unpaid claims are estimated by the City based on actual claims paid out during the year.

The City has set up a cash account to pay these claims. The balance in the account at June 30, 2018 was \$5,417.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(20) Self-Insured Dental and Vision Plan (Continued)

Activity in the self-insured dental and vision plan during the year ended June 30, 2018 is as follows:

Balance, June 30, 2017	\$ 5,678
Contributions by the City	100,000
Claims, fees and insurance premiums paid	<u>(100,261)</u>
Balance, June 30, 2018	<u>\$ 5,417</u>

Unpaid claims at June 30, 2018 totaled approximately \$1,993.

(21) Concentration of Risk

Approximately 68% of the Power and Light Department's plant is located in Knox County, Tennessee.

(22) Operating Transfers

Operating transfers for the year ended June 30, 2018 are as follows:

Transfers From:	Transfers To:		
	General Purpose School Fund	General Fund	Total
General Fund	\$ 184,000	\$ -	\$ 184,000
Sanitation Fund	-	33,140	33,140
Stormwater Fund	-	26,516	26,516
	<u>\$ 184,000</u>	<u>\$ 59,656</u>	<u>\$ 243,656</u>

The purpose of the transfer from the General Fund to the General Purpose School Fund was to continue funding of the School System at the previously established level.

The purpose of the transfer from the Sanitation Fund to the General Fund was to transfer excess revenue.

The purpose of the transfer from the Stormwater Fund to the General Fund was to establish beginning balances for the new Stormwater Fund.

(23) Prior Period Adjustment

Adjustments to the beginning net position on the fund financial statements in the amount of \$219,052 and adjustments to the beginning net position on the governmental-wide financial statements in the amount of \$997,374 has been recognized to record entries to decrease compensated absences previously overstated for the year ended June 30, 2017. The effect on the government-wide financial statements totaled \$1,216,426.

CITY OF LENOIR CITY, TENNESSEE

Notes to Basic Financial Statements
(Continued)(24) Commitments

The City has entered into various contracts for road projects including the Downtown Streetscapes Project #2, Simpson Road Improvements and Harrison Road and Kingston Street Improvements.

Lenoir City Schools has entered into a contract for the installation/equipping of the various school buildings with energy efficient improvements. At June 30, 2018, the total amount of the contract was \$4,866,924, of which \$1,789,936 was still outstanding.

(25) Subsequent Events

Management has evaluated subsequent events through March 26, 2019, which is the date these financial statements were available for distribution.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in Lenoir City's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Retirement Income Plan for Employees of the City of Lenoir City, Tennessee*

For the Last 10 Measurement Periods Ending on June 30,

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 88,439	\$ 85,191	\$ 162,688	\$ 169,519
Interest	536,458	514,610	492,308	460,290
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	(38,995)	9,658	0	62,154
Changes of assumptions	0	0	0	0
Benefit payments / refunds	(395,022)	(247,792)	(312,468)	(203,990)
Other	(2,476,421)	0	0	0
Net change in total pension liability	(2,285,541)	361,667	342,528	487,973
Total pension liability – beginning	7,261,841	6,900,174	6,557,646	6,069,673
Total pension liability – ending (a)	<u>\$ 4,976,300</u>	<u>\$ 7,261,841</u>	<u>\$ 6,900,174</u>	<u>\$ 6,557,646</u>
Plan fiduciary net position				
Contributions - employer	\$ 314,192	\$ 352,668	\$ 333,664	\$ 365,711
Contributions - employee	113,986	128,243	121,332	129,479
Net investment income	200,025	(93,597)	75,059	452,898
Benefit payments / refunds	(395,022)	(247,792)	(312,468)	(203,990)
Administrative expenses	(18,595)	(4,188)	(4,168)	(4,012)
Other	(1,291,002)	0	0	0
Net change in plan fiduciary net position	(1,076,416)	135,334	213,419	740,086
Plan fiduciary net position – beginning	3,915,859	3,780,525	3,567,106	2,827,020
Plan fiduciary net position – ending (b)	<u>\$ 2,839,443</u>	<u>\$ 3,915,859</u>	<u>\$ 3,780,525</u>	<u>\$ 3,567,106</u>
Board's net pension liability – ending (a) - (b)	<u>\$ 2,136,857</u>	<u>\$ 3,345,982</u>	<u>\$ 3,119,649</u>	<u>\$ 2,990,540</u>
Plan fiduciary net position as a % of the total pension liability	57.1%	53.9%	54.8%	54.4%
Covered payroll**	\$ 2,894,022	\$ 3,171,745	\$ 3,109,554	\$ 3,048,582
Board's net pension liability as a % of covered payroll	73.8%	105.5%	100.3%	98.1%

Notes to Schedule

* See Summary of Plan Provisions for notes regarding benefit changes. See Summary of Actuarial Assumptions and Methods for notes regarding changes in assumptions.

** 2018 covered payroll is estimated based on 2017 covered payroll adjusted by the salary scale.

Presentation has been made for years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City's Contributions Based on Participation in the Retirement
Income Plan for Employees of the City of Lenoir City, Tennessee*

For the Last 10 Measurement Periods Ending on June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 239,505	\$ 239,703	\$ 322,551	\$ 315,040
Contributions in relation to the actuarially determined contribution	<u>314,192</u>	<u>352,668</u>	<u>333,664</u>	<u>365,711</u>
Contribution deficiency (excess)	<u>\$ (74,687)</u>	<u>\$ (112,965)</u>	<u>\$ (11,113)</u>	<u>\$ (50,671)</u>
Covered payroll	\$ 2,894,022	\$ 3,171,745	\$ 3,109,554	\$ 3,048,582
Contributions as a percentage of covered payroll	10.9%	11.1%	10.7%	12.0%

* Presentation has been made for years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Investment Returns Based on Participation in the Retirement
Income Plan for Employees of the City of Lenoir City, Tennessee*

For the Last 10 Measurement Periods Ending on June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	8.82%	-2.42%	2.06%	15.34%

* Presentation has been made for years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in Lenoir City's Net Pension Liability (Asset) and
Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ended June 30,

	2017	2016
Total pension liability		
Service cost	\$ 11,109	\$ 9,993
Interest	971	749
Changes in benefit terms	-	-
Differences between actual and expected experience	3,601,346	(8,770)
Change of assumptions	585,907	-
Benefit payments, including refunds of employee contributions	(260)	-
Net change in total pension liability	4,199,073	1,972
Total pension liability - beginning	1,972	-
Total pension liability - ending (a)	\$ 4,201,045	\$ 1,972
Plan fiduciary net position		
Contributions - employer	\$ 412,157	\$ 8,170
Contributions - employee	677,449	1,823
Net investment income	62,698	132
Benefit payments, including refunds of employee contributions	(260)	-
Administrative expense	(2,615)	(207)
Other	-	-
Net change in plan fiduciary net position	1,149,429	9,918
Plan fiduciary net position - beginning	9,918	-
Plan fiduciary net position - ending (b)	\$ 1,159,347	\$ 9,918
Net pension liability (asset) - ending (a)-(b)	\$ 3,041,698	\$ (7,946)
Plan fiduciary net position as a percentage of total pension liability	27.60%	502.94%
Covered payroll	\$ 772,768	\$ 45,576
Net pension liability (asset) as a percentage of covered payroll	393.61%	(17.43)%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City's Contributions Based on
Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ending June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution (ADC)	\$ 546,842	\$ 141,775	\$ 8,170
Contributions in relation to the actuarially determined contribution	<u>546,842</u>	<u>412,157</u>	<u>8,170</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (270,382)</u>	<u>\$ -</u>
Covered payroll	\$ 2,935,801	\$ 772,768	\$ 45,576
Contributions as a percentage of covered payroll	18.63%	53.34%	17.93%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Notes to Lenoir City's Required Supplementary Information

June 30, 2018

Notes to Schedules - PSPP Plan

Change of assumptions: In 2017, amount reported as changes of assumptions resulted from charges to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in the Lenoir City School System's Net Pension Liability (Asset) and
Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

For the Last 10 Measurement Periods Ending on June 30,

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 245,995	\$ 241,223	\$ 236,663	\$ 249,563
Interest	572,995	527,920	501,756	476,900
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(34,146)	55,195	(176,826)	(173,340)
Change of assumptions	177,143	-	-	-
Benefit payments, including refunds of employee contributions	(224,749)	(231,468)	(203,129)	(214,510)
Net change in total pension liability	737,238	592,870	358,464	338,613
Total pension liability - beginning	7,506,309	6,913,439	6,554,975	6,216,362
Total pension liability - ending (a)	\$ 8,243,547	\$ 7,506,309	\$ 6,913,439	\$ 6,554,975
Plan fiduciary net position				
Contributions - employer	\$ 92,733	\$ 85,583	\$ 86,648	\$ 197,063
Contributions - employee	145,809	134,566	132,456	135,159
Net investment income	885,560	201,646	227,261	1,043,400
Benefit payments, including refunds of employee contributions	(224,749)	(231,468)	(203,129)	(214,510)
Administrative expense	(9,517)	(8,144)	(5,512)	(4,150)
Net change in plan fiduciary net position	889,836	182,183	237,724	1,156,962
Plan fiduciary net position - beginning	7,811,950	7,629,767	7,392,043	6,235,081
Plan fiduciary net position - ending (b)	\$ 8,701,786	\$ 7,811,950	\$ 7,629,767	\$ 7,392,043
Net pension liability (asset) - ending (a)-(b)	\$ (458,239)	\$ (305,641)	\$ (716,328)	\$ (837,068)
Plan fiduciary net position as a percentage of total pension liability	105.56%	104.07%	110.36%	112.77%
Covered payroll	\$ 2,916,134	\$ 2,691,306	\$ 2,724,786	\$ 2,703,212
Net pension liability (asset) as a percentage of covered payroll	(15.71%)	(11.36)%	(26.29)%	(30.97)%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City School System's Contributions Based on
Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 93,108	\$ 92,733	\$ 85,583	\$ 86,648	\$ 197,063
Contributions in relation to the actuarially determined contribution	<u>93,108</u>	<u>92,733</u>	<u>85,583</u>	<u>86,648</u>	<u>197,063</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,927,925	\$ 2,915,786	\$ 2,691,293	\$ 2,724,786	\$ 2,703,212
Contributions as a percentage of covered payroll	3.18%	3.18%	3.18%	3.18%	7.29%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Notes to Lenoir City School System's Required Supplementary Information

June 30, 2018

Notes to Schedule - PSPP Plan

Changes of assumptions: 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.

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City School System's
Proportionate Share of the Net Pension Liability (Asset)
Teacher Legacy Pension Plan of TCRS

For the Last 10 Measurement Periods Ending on June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Lenoir City School System's proportion of the net pension liability (asset)	0.225906%	0.226381%	0.233646%	0.237326%
Lenoir City School System's proportionate share of the net pension liability (asset)	\$ (36,709)	\$ 92,733	\$ 1,460,159	\$ (77,647)
Lenoir City School System's covered payroll	\$ 8,866,774	\$ 8,474,576	\$ 8,434,157	\$ 8,389,345
Lenoir City School System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.41)%	1.09%	17.31%	(0.93)%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City School System's Contributions
Teacher Legacy Pension Plan of TCRS

Last Fiscal Year Ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 787,369	\$ 766,102	\$ 762,480	\$ 758,427	\$ 744,117
Contributions in relation to the contractually required contribution	<u>787,369</u>	<u>766,102</u>	<u>762,480</u>	<u>758,427</u>	<u>744,117</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,866,773	\$ 8,474,576	\$ 8,434,513	\$ 8,389,679	\$ 8,195,121
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City School System's
Proportionate Share of the Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS

For the Last 10 Measurement Periods Ending on June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Lenoir City School System's proportion of the net pension liability (asset)	0.235348%	0.223386%	0.199871%
Lenoir City School System's proportionate share of the net pension liability (asset)	\$ (9,468)	\$ (23,255)	\$ (52,732)
Lenoir City School System's covered payroll	\$ 488,992	\$ 982,912	\$ 1,311,827
Lenoir City School System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%	(2.37)%	(4.02)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Lenoir City School System's Contributions
Teacher Retirement Plan of TCRS

Last Fiscal Year Ending June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 12,225	\$ 24,604	\$ 52,473	\$ 67,613
Contributions in relation to the actuarially determined contribution	<u>19,560</u>	<u>39,316</u>	<u>52,473</u>	<u>67,613</u>
Contribution deficiency (excess)	<u>\$ (7,335)</u>	<u>\$ (14,712)</u>	<u>\$ -</u>	<u>\$ -</u>
Lenoir City School System's covered payroll	\$ 488,992	\$ 982,912	\$ 1,311,850	\$ 1,690,325
Contributions as a percentage of Lenoir City School System's covered payroll	4.00%	4.00%	4.00%	4.00%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in Total OPEB Liability and Related Ratios
Based on Participation in the TGOP OPEB Plan

Measurement Date Ended June 30

	2017
Collective Total OPEB Liability	
Service cost	\$ 168,562
Interest on the total OPEB liability	92,411
Changes of benefit terms	-
Differences between expected and actual experience of the total OPEB liability	-
Change in assumptions and other inputs	(138,609)
Benefit payments	(180,370)
Net change in total OPEB liability	(58,006)
Total OPEB liability - beginning	3,086,381
Total OPEB liability - ending	\$ 3,028,375
Proportion Determination	
Employer's actuarial accrued liability	\$ 2,088,373
State's actuarial accrued liability	\$ 940,002
Collective actuarial accrued liability	\$ 3,028,375
Employer's portion	0.689602
State's portion	0.310398
Employer's share of the total OPEB liability - beginning	\$ 2,128,375
Employer's share of the total OPEB liability - ending	\$ 2,088,373
Estimated covered payroll	N/A
Employer's total OPEB liability as a percentage of covered payroll	N/A

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.

Notes to Schedule - TGOP Plan

Valuation date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry age normal
Inflation	2.25%
Discount rate	3.56%
Salary increases	Salary increase rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation
Retirement age	Retirement rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Mortality	Mortality tables used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.50% for 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend rate of 3.53% with 0.18% added to approximate the effect of the excise tax
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Administrative expenses are included in the per capita health costs

Other information:

Notes	See the Actuarial Valuation Report as of July 1, 2017
	Changes in assumptions and other inputs include the change in the
	There were no benefit changes during the measurement period

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in the Net Pension Liability and Related Ratios
Lenoir City Utilities Board Employees' Retirement Plan

For the Last 10 Measurement Periods Ending on June 30,

(Dollar amounts in millions)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 674,028	\$ 638,809	\$ 545,091	\$ 526,356
Interest	1,912,526	1,786,181	1,574,441	1,475,134
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	1,560,391	910,956	238,525	245,933
Changes of assumptions	-	-	1,570,506	-
Benefit Payments / Refunds	(1,708,999)	(1,423,487)	(571,342)	(1,123,643)
Net Change in Total Pension Liability	2,437,946	1,912,459	3,357,221	1,123,780
Total Pension Liability - Beginning	27,502,270	25,589,811	22,232,590	21,108,810
Total Pension Liability - Ending (a)	\$ 29,940,216	\$ 27,502,270	\$ 25,589,811	\$ 22,232,590
Plan Fiduciary Net Position				
Contributions - employer	\$ 2,740,868	\$ 2,735,405	\$ 2,512,188	\$ 2,740,568
Contributions - employee	254,702	254,283	240,870	221,137
Net investment income	3,001,244	306,067	609,169	2,399,745
Benefit Payments / Refunds	(1,708,999)	(1,423,487)	(571,342)	(1,123,643)
Administrative expenses	(100,678)	(88,614)	(80,174)	(69,773)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	4,187,137	1,783,654	2,710,711	4,168,034
Plan Fiduciary Net Position - Beginning	21,659,233	19,875,579	17,164,868	12,996,834
Plan Fiduciary Net Position - Ending (b)	\$ 25,846,370	\$ 21,659,233	\$ 19,875,579	\$ 17,164,868
Net Pension Liability - Ending (a) - (b)	\$ 4,093,846	\$ 5,843,037	\$ 5,714,232	\$ 5,067,722
Plan Fiduciary Net Position as a % of the Total Pension Liability	86.3%	78.8%	77.7%	77.2%
Covered payroll	\$ 8,925,064	\$ 8,217,789	\$ 7,999,141	\$ 7,375,271
Net Pension Liability as a % of covered payroll	45.9%	71.1%	71.4%	68.7%

Notes to Schedule

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

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Board Contributions
Lenoir City Utilities Board Employees' Retirement Plan

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

	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,016,575	\$ 1,048,344	\$ 978,343	\$ 1,178,967
Contributions in relation to the actuarially determined contribution	2,740,868	2,735,405	2,512,188	2,740,568
Contribution deficiency (excess)	\$ (1,724,293)	\$ (1,687,061)	\$ (1,533,845)	\$ (1,561,601)
Covered payroll	\$ 8,925,064	\$ 8,217,789	\$ 7,999,141	\$ 7,375,271
Contributions as a percentage of covered payroll	30.7%	33.3%	31.4%	37.2%

Notes to ScheduleValuation date:

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

Methods and assumptions used to determine contribution rates:*

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar
Remaining amortization period:	Investment gains and losses - 5 years. Experience gains and losses - average working lifetime of all participants.
Asset valuation method:	Fair Market Value
Inflation:	2.25%
Salary increases:	3.00%
Investment rate of return:	7.00% per annum.
Retirement age:	64
Mortality:	Mortality Table RP2014 adjusted to 2006 with Mortality Improvement

* This is a summary of the methods and assumptions for the 7/1/2016 to 6/30/2017 plan year. Please refer to prior funding valuations for the assumptions used to develop earlier contribution rates.

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Investment Returns
Lenoir City Utilities Board Employees' Retirement Plan

Last 10 Measurement Periods (Only applicable after 2014)*

Measurement period ended June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return Net of investment expense	13.61%	1.49%	3.43%	16.76%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in the Net OPEB Liability and Related Ratios
City of Lenoir City OPEB Plan

For the Last 10 Measurement Periods Ended on June 30,

(Dollar amounts in millions)

	2017
Total OPEB Liability	
Service cost	\$ 38,592
Interest	39,958
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit Payments / Refunds	(26,192)
Net Change in Total OPEB Liability	52,358
Total OPEB Liability - Beginning	1,302,810
Total OPEB Liability - Ending (a)	<u>\$ 1,355,168</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 26,192
Contributions - employee	-
Net investment income	-
Benefit Payments / Refunds	(26,192)
Administrative expenses	-
Other	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 1,355,168</u>
Plan Fiduciary Net Position as a % of the Total OPEB Liability	0.0%
Covered payroll	\$ 2,644,199
Net OPEB Liability as a % of covered payroll	51.3%

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

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Board Contributions - OPEB Plan
City of Lenoir City OPEB Plan

Last 10 Measurement Periods (Only applicable after 2017)**

	2017
Actuarially determined contribution	\$ 126,461
Contributions in relation to the actuarially determined contribution	26,192
Contribution deficiency (excess)	\$ 100,269
Covered payroll	\$ 2,644,199
Contributions as a percentage of covered payroll	1.0%

Notes to ScheduleValuation date:

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

Methods and assumptions used to determine contribution rates:*

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar
Remaining amortization period:	Experience gains or losses are amortized over the average working lifetime of all participants. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.
Asset valuation method:	Not applicable
Inflation:	Not applicable
Salary increases:	Not applicable
Health costs trend rates:	8.00% on to grade uniformly to 5.00% over 10 years
Mortality:	Mortality Table RP2014 adjusted to 2006 with Mortality Improvement

* This is a summary of the methods and assumptions for the 7/1/2016 to 6/30/2017 plan year.

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Investment Returns - OPEB Plan
City of Lenoir City OPEB Plan

Last 10 Measurement Periods (Only applicable after 2017)*

Measurement period ended June 30,	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.00%

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Changes in the Net OPEB Liability and Related Ratios
Lenoir City Utilities Board OPEB Plan

For the Last 10 Measurement Periods Ending on June 30,

(Dollar amounts in millions)

	2017
Total OPEB Liability	
Service cost	\$ 467,078
Interest	231,883
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit Payments / Refunds	(208,484)
Net Change in Total OPEB Liability	490,477
Total OPEB Liability - Beginning	8,193,725
Total OPEB Liability - Ending (a)	<u>\$ 8,684,202</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 208,484
Contributions - employee	-
Net investment income	-
Benefit Payments / Refunds	(208,484)
Administrative expenses	-
Other	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 8,684,202</u>
Plan Fiduciary Net Position as a % of the Total OPEB Liability	0.0%
Covered payroll	\$ 8,594,065
Net OPEB Liability as a % of covered payroll	101.0%

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

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Board Contributions - OPEB Plan

Lenoir City Utilities Board OPEB Plan

Last 10 Measurement Periods (Only applicable after 2017)**

	2017
Actuarially determined contribution	\$ 1,002,332
Contributions in relation to the actuarially determined contribution	208,484
Contribution deficiency (excess)	\$ 793,848
Covered payroll	\$ 8,594,065
Contributions as a percentage of covered payroll	2.4%

Notes to ScheduleValuation date:

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

Methods and assumptions used to determine contribution rates:*

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar
Remaining amortization period:	Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 9 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.
Asset valuation method:	Not applicable
Inflation:	2.50%
Salary increases:	3.50% per annum
Health costs trend rates:	8.00% on 2016 graded uniformly to 5.00% over 6 years
Mortality:	Mortality Table RP2014 adjusted to 2006 with Mortality Improvement

* This is a summary of the methods and assumptions for the 7/1/2016 to 6/30/2017 plan year.

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

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Investment Returns - OPEB Plan
Lenoir City Utilities Board OPEB Plan

Last 10 Measurement Periods (Only applicable after 2017)*

Measurement period ended June 30,	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.00%

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LENOIR CITY, TENNESSEE
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Awards:					
Direct Funding:					
Federal Emergency Management Agency	FEMA Public Assistance Grant	97.044	EMW-2016-FR-00203	N/A	\$ 533,255
Pass-through Funding:					
U.S. Department of Transportation through TN Department of Transportation	Highway Planning and Construction Grant	20.205	STP-M-4350(10)	N/A	50,462
U.S. Department of Transportation through TN Department of Transportation	Highway Planning and Construction Grant	20.205	STP-M-9111(4)	N/A	1,639,337
U.S. Department of Transportation through TN Department of Transportation	Highway Planning and Construction Grant	20.205	STP-CM-9111(8)	N/A	11,300
U.S. Department of Transportation through TN Department of Transportation	Highway Planning and Construction Grant	20.205	STP-EN-9111(7)	N/A	2,346
U.S. Department of Transportation through TN Department of Transportation	Highway Planning and Construction Grant	20.205	STP-EN-9111(7)	N/A	132,330
Total Program 20.205			Total Highway Planning and Construction Cluster		2,369,030
U.S. Department of Transportation through TN Department of Transportation	High Visibility Enforcement Grant	20.607	Z-17THS431	N/A	5,000
U.S. Department of Transportation through TN Department of Transportation	High Visibility Enforcement Grant	20.607	Z-18THS	N/A	26,253
Total Program 20.607					31,253
U.S. Department of Education through TN Department of Education	IDEA-B	84.027A	644000	N/A	425,551
U.S. Department of Education through TN Department of Education	IDEA Discretionary	84.027A	644000	N/A	61,720
Total Program 84.027A					487,271

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Expenditures of Federal and State Awards
(Continued)
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Awards (Continued):					
Pass-through Funding (Continued):					
U.S. Department of Education through TN Department of Education	IDEA-B/Preschool	84.173A	644500	N/A	\$ 17,869
			Total Special Education Cluster		505,140
U.S. Department of Agriculture through TN Department of Education	Nat'l School Lunch Program	10.555	577200	N/A	562,875
U.S. Department of Agriculture through TN Department of Education	Nat'l School Breakfast Program	10.553	577200	N/A	174,871
			Total Child Nutrition Cluster		737,746
U.S. Department of Education through TN Department of Education	Read to Be Ready Summer	93.575	140105	N/A	78,177
			Total 477 Cluster		78,177
U.S. Department of Environment and Conservation through Tennessee Department of Environment and Conservation	N/A	66.458	SRF 2015-342	N/A	489,863
			Total Clean Water State Revolving Fund Cluster		489,863
U.S. Department of Justice through TN Department of Finance and Administration	Justice Assistance Grant	16.378	JAG	N/A	15,000
U.S. Department of Education through TN Department of Education	Carl Perkins ACT	84.048A	431100	N/A	25,472
U.S. Department of Education through TN Department of Education	Title I - A	84.010A	347000	N/A	395,601
U.S. Department of Education through TN Department of Education	Title II - A	84.367A	346300	N/A	54,429

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Expenditures of Federal and State Awards
(Continued)

For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Awards (Continued):					
Pass-through Funding (Continued):					
U.S. Department of Education through TN Department of Education	Title III - A	84.184A	346200	N/A	\$ 35,075
U.S. Department of Housing and Urban Development through Tennessee Department of Economic and Community Development	Community Development Block Grant States Program	14.228	33004-96817	N/A	441,652
Total Federal Awards					<u>5,178,438</u>
State Awards:					
Tennessee Department of Military	Public Assistance	N/A	N/A	N/A	84,463
Tennessee Department of Economic and Community Development	Fast Track Infrastructure Program	N/A	N/A	N/A	35,371
Tennessee Department of Education	ConnecTenn	N/A	203500	N/A	5,842
Tennessee Department of Education	Safe Schools Act - FY2018	N/A	503000	N/A	10,010
Tennessee Department of Education	Coordinated School Health	N/A	545300	N/A	95,000
Tennessee Department of Education	Family Resource Center - FY 2018	N/A	911900	N/A	30,212
Tennessee Department of Education	National School Lunch Program	N/A	577100	N/A	9,592
Tennessee Department of Education	Early Childhood Education Pilot Program	N/A	911400	N/A	188,432
Tennessee Department of Education	Read to Be Ready Coaching Network	N/A	140104	N/A	9,844

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Expenditures of Federal and State Awards
(Continued)

For the Fiscal Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/State Grantor</u>	<u>Program/ Cluster Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>State Awards (Continued):</u>					
Tennessee Department of Education	Drivers Education	N/A	644000	N/A	\$ 24,035
Tennessee Department of Environment and Conservation	N/A	N/A	SRF 2015-342	N/A	136,867
Total State Awards					<u>629,668</u>
Total Federal and State Awards					<u><u>\$ 5,808,106</u></u>
<u>Federal Awards - Noncash:</u>					
U.S. Department of Agriculture Commodity Supplemental Feeding	N/A	10.569	N/A	N/A	\$ 78,227
U.S. Department of Agriculture Fresh Fruits and Vegetables	N/A	10.582	N/A	N/A	10,724
Total Noncash Awards					<u><u>\$ 88,951</u></u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Notes to Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2018

Note A – Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state award activity of the City of Lenoir City, Tennessee under programs of the federal and state governments for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Note B – Summary of Significant Accounting Policies

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

Note C – Outstanding Loans

The City of Lenoir City, Tennessee had the following loan funding balance, loan repayments, and loan balances outstanding at June 30, 2018. These loan funding balances are also included in the federal expenditures presented in the Schedule.

Name of Program/Loan	Grantor Agency	Program Identification or Contract Number	CFDA Number	FY 2018 Loan Funding	FY 2018 Loan Repayments	FY 2018 Loan Balances
Federal Loans:						
ARRA - Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	CGA 2009-238	88.458	\$ -	\$ 56,672	\$ 158,238
Capitalization Grant for Clean Water SRF	U.S. Department of Environment and Conservation	SRF 15-342	88.458	489,863	-	536,132
Rural Economic and Community Development	U.S. Department of Agriculture	CH#79-1070	10.780	-	8,000	9,000
Total Federal Loans				<u>489,863</u>	<u>64,672</u>	<u>701,370</u>
State Loans:						
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	CGA 2009-238	N/A	-	12,858	1,059,859
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 98-095	N/A	-	58,440	188,080
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 99-128	N/A	-	25,500	108,288
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SDWF 2000-035	N/A	-	25,524	127,295
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2001-155	N/A	-	44,244	311,162
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2006-191	N/A	-	55,368	860,198
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 2008-218	N/A	-	542,208	8,044,891
Tennessee State Revolving Loan Program	Tennessee Department of Economic and Community Development	SRF 15-342	N/A	138,866	-	519,856
Total State Loans				<u>138,866</u>	<u>764,140</u>	<u>10,997,229</u>
Total Federal and State Loans				<u>\$ 628,729</u>	<u>\$ 828,812</u>	<u>\$ 11,698,599</u>

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2018

Special Revenue Funds

ASSETS	Special Revenue Funds													Total Nonmajor Governmental Funds
	Community Development Fund	Drug Enforcement Fund	Sanitation Fund	Downtown VIP Fund	State Street Aid Fund	DEA Asset Forfeiture Fund	Federal Projects School Fund	Cafeteria Fund	Total Special Revenue Funds	Debt Service Fund - Schools	Capital Projects - Schools Fund	Debt Service Fund - Event Center	Capital Projects - City Fund	
Assets:														
Cash and cash equivalents														
Receivables -														
Due from other funds														
Due from governmental units														
Restricted assets:														
Cash and cash equivalents														
Receivables														
Due from other funds														
Due from governmental units														
Other														
Inventories														
Total assets														
LIABILITIES AND FUND BALANCES														
Liabilities (payable from current assets):														
Accounts payable														
Liabilities (payable from restricted assets):														
Accounts payable														
Accrued liabilities														
Deferred revenue														
Due to other funds														
Funds held in trust														
Grant revenue received in advance														
Compensated absences														
Total liabilities														
Fund balances:														
Nonspendable:														
Inventories														
Restricted														
Committed														
Assigned														
Total fund balances														
Total liabilities and fund balances														

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

Special Revenue Funds										
Community Development Fund					Drug Enforcement Fund			Sanitation Fund		
2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2017 Actual
\$ 21,243	\$ 21,243	\$ -	\$ 295,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	38,000	26,084	26,108	20,218	353,500	368,733	379,697
-	-	-	-	-	-	-	100	-	-	-
-	-	4	-	32,666	100	-	8,918	-	-	-
-	-	-	-	-	-	-	-	-	-	-
21,243	21,243	4	295,483	70,666	26,184	26,108	29,236	353,500	368,733	379,697
Expenditures:										
Community development	21,243	-	295,483	-	-	-	-	-	-	-
Drug enforcement	-	-	-	57,566	36,062	30,908	39,958	353,500	368,733	329,514
Sanitation	-	-	-	-	-	-	-	-	-	-
Downtown VIP	-	-	-	-	-	-	-	-	-	-
State Street Aid	-	-	-	-	-	-	-	-	-	-
DEA asset forfeiture	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	21,243	21,243	-	57,566	36,062	30,908	39,958	353,500	368,733	329,514
Revenues over (under) expenditures	-	-	4	13,100	(9,878)	(4,800)	(10,722)	-	-	50,183
Other financing sources (uses):										
Interfund transfers - in	-	-	-	-	-	-	-	-	-	-
Interfund transfers - out	-	-	-	-	-	-	-	-	(33,140)	(49,717)
Sale of notes	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(33,140)	(49,717)
Revenues and other financing sources over (under) expenditures and other financing uses										
Fund balance, beginning	1	1	1	1	15,562	15,562	26,284	31,730	31,730	31,264
Fund balance, ending	1	1	5	1	28,662	5,684	15,562	31,730	31,208	31,730

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	Special Revenue Funds					Cafeteria Fund					Total Special Revenue Funds				
	Federal Projects Fund														
	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2017 Actual
Revenues:															
Intergovernmental revenues:															
Federal grants	962,236	\$ 1,205,600	\$ 1,093,895	\$ 1,087,355	\$ 886,524	\$ 825,240	\$ 826,696	\$ 850,977	\$ 1,870,003	\$ 2,052,083	\$ 1,920,581	\$ 2,233,815			
State grants	-	-	-	-	11,000	-	9,592	10,214	271,000	305,269	299,394	249,411			
Local sales tax	-	-	-	-	-	-	-	-	-	-	-	-			
Fines and forfeitures	-	-	-	-	-	-	-	-	61,500	65,004	54,303	26,319			
Charges for services	-	-	-	-	258,000	269,941	236,121	221,446	611,500	638,674	604,272	601,143			
Contributions and gifts	-	-	-	-	-	-	-	-	60,000	60,000	40,269	33,859			
Miscellaneous revenue	-	-	-	-	100	74	2,179	2,740	32,801	829	2,900	16,766			
Sale of assets	-	-	-	-	-	-	-	-	-	-	-	-			
Total revenues	962,236	\$ 1,205,600	\$ 1,093,895	\$ 1,087,355	\$ 1,155,624	\$ 1,095,255	\$ 1,074,588	\$ 1,085,377	\$ 2,906,804	\$ 3,121,859	\$ 2,921,759	\$ 3,161,313			
Expenditures:															
Community development	-	-	-	-	-	-	-	-	21,243	21,243	-	295,483			
Drug enforcement	-	-	-	-	-	-	-	-	57,586	36,062	30,908	39,958			
Sanitation	-	-	-	-	-	-	-	-	353,500	368,733	335,533	329,514			
Downtown Vlp	-	-	-	-	-	-	-	-	60,005	50,000	41,029	33,759			
State Street Aid	-	-	-	-	-	-	-	-	280,000	300,000	287,461	240,180			
DEA asset forfeiture	-	-	-	-	-	-	-	-	51,500	12,900	12,762	-			
Education	962,236	1,205,600	1,093,895	1,089,047	1,155,624	1,064,267	1,107,390	1,071,916	2,117,860	2,269,867	2,201,285	2,180,963			
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-			
Stormwater	-	-	-	-	-	-	-	-	-	-	-	-			
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-			
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-			
Interest and fiscal changes	-	-	-	-	-	-	-	-	-	-	-	-			
Total expenditures	962,236	\$ 1,205,600	\$ 1,093,895	\$ 1,089,047	\$ 1,155,624	\$ 1,064,267	\$ 1,107,390	\$ 1,071,916	\$ 2,921,674	\$ 3,058,805	\$ 2,908,978	\$ 3,099,857			
Revenues over (under) expenditures	-	-	-	(1,692)	-	30,988	(32,802)	13,461	(14,870)	63,054	12,781	61,456			
Other financing sources (uses):															
Interfund transfers - in	-	-	-	-	-	-	-	-	-	-	-	-			
Interfund transfers - out	-	-	-	-	-	-	-	-	-	-	(33,140)	(48,717)			
Sale of notes	-	-	-	-	-	-	-	-	-	-	-	-			
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	(33,140)	(48,717)			
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	(1,692)	-	30,988	(32,802)	13,461	(14,870)	63,054	(20,359)	11,739			
Fund balance, beginning	100,358	\$ 100,358	\$ 100,358	\$ 102,050	\$ 383,644	\$ 383,644	\$ 383,644	\$ 370,183	\$ 651,090	\$ 651,090	\$ 651,090	\$ 635,351			
Fund balance, ending	\$ 100,358	\$ 100,358	\$ 100,358	\$ 100,358	\$ 383,644	\$ 414,632	\$ 350,842	\$ 383,644	\$ 636,220	\$ 714,144	\$ 630,731	\$ 651,090			

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	Debt Service Fund - School			Capital Projects - Schools Fund			Debt Service Fund - Event Center				
	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2018 Original Budget	2018 Final Budget	2017 Actual	2018 Actual	2017 Actual
Revenues:											
Intergovernmental revenues:											
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-	-	-	-	-	-	-
Local sales tax	951,900	1,006,125	964,207	961,112	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Contributions and gifts	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	1,240	229
Sale of assets	-	-	-	-	-	-	-	-	-	-	-
Total revenues	951,900	1,006,125	964,207	961,112	-	-	-	-	-	1,240	229
Expenditures:											
Community development	-	-	-	-	-	-	-	-	-	-	-
Drug enforcement	-	-	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-	-	-
Downtown VIP	-	-	-	-	-	-	-	-	-	-	-
State Street Aid	-	-	-	-	-	-	-	-	-	-	-
DEA asset forfeiture	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	-	-
Debt service:											
Principal retirement	515,000	515,000	515,000	495,000	-	-	-	-	-	-	-
Interest and fiscal charges	316,101	333,042	331,836	348,499	-	-	-	-	-	-	-
Total expenditures	831,101	848,042	846,836	843,499	-	-	-	-	-	-	-
Revenues over (under) expenditures	120,799	158,083	117,371	117,613	-	-	-	-	-	1,240	229
Other financing sources (uses):											
Interfund transfers - in	-	-	-	-	-	-	-	-	-	-	248,973
Interfund transfers - out	-	-	-	-	-	-	-	-	-	-	-
Sale of notes	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	248,973
Revenues and other financing sources over (under) expenditures and other financing uses	120,799	158,083	117,371	117,613	-	-	-	-	-	1,240	249,202
Fund balance, beginning	890,407	890,407	890,407	772,794	61,763	61,763	61,763	250,220	61,783	250,220	1,018
Fund balance, ending	\$ 1,011,208	\$ 1,048,490	\$ 1,007,778	\$ 890,407	\$ 61,763	\$ 61,763	\$ 61,763	\$ 251,460	\$ 61,783	\$ 251,460	\$ 250,220

(Continued)

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Continued)

For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	Capital Projects - City Fund				Total Nonmajor Governmental Funds			
	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual	2018 Original Budget	2018 Final Budget	2018 Actual	2017 Actual
Revenues:								
Intergovernmental revenues:								
Federal grants	\$ 2,223,553	\$ 2,606,329	\$ 2,361,804	\$ 1,659,328	\$ 4,093,556	\$ 4,658,412	\$ 4,282,395	\$ 3,893,143
State grants	3,662,750	318,628	86,653	429,063	3,933,750	623,897	386,047	678,474
Local sales tax	-	-	-	-	951,900	1,006,125	964,207	961,112
Fines and forfeitures	-	-	-	-	61,500	65,004	54,303	26,319
Charges for services	-	-	-	-	611,500	638,674	604,272	601,143
Contributions and gifts	-	-	-	97,500	60,000	60,000	40,299	131,359
Miscellaneous revenue	1,500	3,475	3,415	8,552	34,301	4,304	7,555	25,547
Sale of assets	-	41,048	41,048	-	-	41,048	41,048	-
Total revenues	5,887,803	2,969,480	2,492,920	2,194,443	9,746,507	7,087,464	6,380,126	6,317,097
Expenditures:								
Community development	-	-	-	-	21,243	21,243	-	295,483
Drug enforcement	-	-	-	-	57,566	36,062	30,908	39,958
Sanitation	-	-	-	-	353,500	368,733	335,533	329,514
Downtown VIP	-	-	-	-	60,005	50,000	41,029	33,759
State Street Aid	-	-	-	-	260,000	300,000	287,461	240,180
DEA asset forfeiture	-	-	-	-	51,500	12,900	12,762	-
Education	-	-	-	-	2,117,860	2,269,867	2,201,285	2,160,963
Capital projects	6,933,951	3,459,409	3,135,835	11,008,860	6,933,951	3,459,409	3,135,835	11,008,860
Stormwater	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	515,000	515,000	515,000	495,000
Interest and fiscal charges	-	-	-	-	316,101	333,042	331,836	348,499
Total expenditures	6,933,951	3,459,409	3,135,835	11,008,860	10,686,726	7,366,256	6,891,649	14,952,216
Revenues over (under) expenditures	(1,046,148)	(489,929)	(642,915)	(8,814,417)	(940,219)	(268,792)	(511,523)	(8,635,119)
Other financing sources (uses):								
Interfund transfers - in	-	-	-	502,149	-	-	-	751,122
Interfund transfers - out	-	-	-	-	-	-	(33,140)	(49,717)
Sale of notes	1,046,148	588,249	588,250	8,989,114	1,046,148	588,249	588,250	8,989,114
Total other financing sources (uses)	1,046,148	588,249	588,250	9,491,263	1,046,148	588,249	555,110	9,690,519
Revenues and other financing sources over (under) expenditures and other financing uses	-	98,320	(54,665)	676,846	105,929	319,457	43,587	1,055,400
Fund balance, beginning	767,103	767,103	767,103	90,257	2,620,583	2,620,583	2,620,583	1,565,183
Fund balance, ending	\$ 767,103	\$ 865,423	\$ 712,438	\$ 767,103	\$ 2,726,512	\$ 2,940,040	\$ 2,664,170	\$ 2,620,583

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Proprietary Fund
Statement of Net Position

June 30, 2018

<u>Assets</u>		Stormwater Fund
Current assets:		
Cash and cash equivalents		\$ 197,358
Receivables:		
Due from governmental units		43,467
Total current assets		240,825
Capital assets:		
Capital assets		2,837,538
Less accumulated depreciation		569,606
Net capital assets		2,267,932
Total assets		2,508,757
<u>Deferred Outflows of Resources</u>		
Pension contributions subsequent to the measurement date		15,235
Changes of assumptions - pension		39,948
Differences between expected and actual experience - pension		244,501
Differences between expected and actual earnings on pension plan investments		26,586
Total deferred outflows of resources		326,270
<u>Liabilities</u>		
Current liabilities (payable from current assets):		
Accrued liabilities		118,236
Due to other funds		188,021
Total current liabilities (payable from current assets)		306,257
Noncurrent liabilities:		
Net OPEB liability		131,145
Net pension liability		396,335
Total noncurrent liabilities		527,480
Total liabilities		833,737
<u>Deferred Inflows of Resources</u>		
Differences between projected and actual earnings on pension plan investments		4,727
Total deferred inflows of resources		4,727
<u>Net Position</u>		
Net position:		
Net investment in capital assets		2,267,932
Unrestricted		(271,369)
Total net position		\$ 1,996,563

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Proprietary Fund
Statement of Revenues, Expenses and Change in Net Position

For the Fiscal Year Ended June 30, 2018

	Stormwater Fund
Operating revenues:	
Charges for services	\$ 493,455
	<u>493,455</u>
Operating expenses:	
Administration and general	2,713
Maintenance	417,216
Depreciation	<u>37,143</u>
	<u>457,072</u>
Operating income	<u>36,383</u>
Non-operating revenues (expenses):	
Miscellaneous income	<u>110,514</u>
	<u>110,514</u>
Income before transfers	146,897
Interfund transfer in, net	<u>1,849,666</u>
Change in net position	1,996,563
Net position, beginning	<u>-</u>
Net position, ending	<u>\$ 1,996,563</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Proprietary Fund
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	Stormwater Fund
Cash flows from operating activities:	
Cash received from customers	\$ 181,029
Cash payments to suppliers for goods and services	(144,277)
Cash payments to employees for services	<u>(118,629)</u>
Net cash used by operating activities	<u>(81,877)</u>
Cash flows from noncapital and related financing activities:	
Miscellaneous non-operating income/expense	<u>110,514</u>
Net cash provided by noncapital and related financing activities	<u>110,514</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(19,300)</u>
Net cash used by capital and related financing activities	<u>(19,300)</u>
Cash flows from investing activities:	
Advances from (repayments to) departments and city, net	<u>188,021</u>
Net cash provided by investing activities	<u>188,021</u>
Net increase in cash and cash equivalents	197,358
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 197,358</u>
Supplemental disclosure:	
Schedule of noncash investing and financing transactions:	
Interfund transfer in, net	\$ 1,849,666

(Continued)

CITY OF LENOIR CITY, TENNESSEE

Nonmajor Proprietary Fund
Statement of Cash Flows
(Continued)

For the Fiscal Year Ended June 30, 2018

	Stormwater Fund
<u>Reconciliation of operating income to net cash used by operating activities:</u>	
Operating income	\$ 36,383
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	37,143
(Increase) decrease in assets and deferred outflows —	
Deferred outflows related to pension plan	(268,959)
Due from other fund	(43,467)
Increase (decrease) in liabilities and deferred inflows —	
Accrued liabilities	8,746
Deferred inflows related to pension	(2,176)
Net OPEB liability	5,067
Net pension liability	145,386
Net cash used by operating activities	<u>\$ (81,877)</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities
June 30, 2018

Year Ending June 30,	TN General Obligation Bonds Series 2009 Dated September 23, 2009 4.00%		TN General Obligation Bonds Series 2010 Dated October 27, 2010 2.00% - 3.50%		Series 2004 Tennessee Municipal Loan Bond Pool #4*		Series 2008 Tennessee Municipal Loan Bond Pool #5**		Series 2015 Tennessee Municipal Loan Capital Outlay Note Loan #9 2.11%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2020	480,000	276,600	70,000	16,066	204,000	22,825	135,000	205,800	30,000	1,625
2021	480,000	258,200	75,000	15,016	211,000	11,665	141,000	199,050	31,000	981
2022	500,000	239,000	75,000	13,981			149,000	192,000		
2023	515,000	219,000	75,000	12,766			156,000	184,550		
2024	535,000	196,400	80,000	11,641			164,000	176,750		
2025	560,000	177,000	80,000	10,441			172,000	168,550		
2026	585,000	154,600	85,000	9,191			181,000	159,950		
2027	605,000	131,200	85,000	7,963			190,000	150,900		
2028	630,000	107,000	90,000	6,481			208,000	141,400		
2029	655,000	81,800	90,000	5,019			219,000	131,450		
2030	680,000	55,600	100,000	3,500			231,000	110,050		
2031	710,000	28,400	100,000	1,750			242,000	98,500		
2032							254,000	86,400		
2033							267,000	73,700		
2034							280,000	60,350		
2035							294,000	46,350		
2036							309,000	31,650		
2037							324,000	16,200		
2038										
2039										
2040										
2041										
2042										
2043										
2044										
2045										
2046										
2047										
2048										
2049										
2050										
2051										
2052										
2053										
2054										
2055										
2056										
2057										

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	6,915,000	1,928,800	1,005,000	113,625	415,000	34,430	4,116,000	2,354,600	92,000	2,932

* Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2018 is 1.51%.

** Variable interest rate. Assumed an interest rate of 5.00% for future interest payments as provided by the Tennessee Municipal Bond Fund, however, the current rate at June 30, 2018 is 1.51%.

*** Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2018 is 2.12%.

**** Variable interest rate. Assumed an interest rate of 3.00% for future interest payments, however, the current rate at June 30, 2018 is 2.12%.

***** Represents available loan funds that had not yet been drawn as of June 30, 2018.

Note: The schools drew down on Energy Efficient School Initiative Loan of \$4,849,434. Total draws as of June 30, 2018 totaled \$1,961,159. A repayment schedule has not been established for this loan.

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities
(Continued)

June 30, 2018

Year Ending June 30,	Series 2014 Tennessee Municipal Loan Capital Outlay Note Loan #7		Series 2015 Tennessee Municipal Loan Bond Pool #8****		Series 2016 Tennessee Municipal Loan Bond Pool #10***		USDA Rural Development 2.375%		USDA Rural Development 2.375%		Total General Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 32,000	\$ 3,366	\$ 97,000	\$ 54,270	\$ 113,000	\$ 90,395	\$ 102,374	\$ 149,952	\$ 7,952	\$ 11,518	\$ 1,251,236	\$ 840,427
2020	33,000	2,550	98,000	51,360	115,000	92,180	104,830	147,504	8,051	11,329	1,296,881	789,775
2021	33,000	1,708	98,000	48,420	117,000	85,855	107,349	144,987	8,244	11,136	1,119,593	737,323
2022	34,000	867	100,000	45,450	119,000	79,420	109,826	142,410	8,442	10,938	1,117,368	695,401
2023			102,000	42,450	122,000	72,875	112,566	139,770	8,645	10,735	1,124,211	652,621
2024			103,000	39,390	124,000	66,165	115,268	137,068	8,852	10,528	1,163,120	608,142
2025			104,000	36,300	126,000	59,345	116,036	134,300	9,065	10,315	1,208,101	564,001
2026			105,000	33,180	129,000	52,415	120,870	131,466	9,283	10,097	1,244,153	517,121
2027			106,000	30,030	131,000	45,320	123,773	128,564	9,505	9,875	1,289,278	468,670
2028			108,000	26,850	133,000	38,115	126,744	125,592	9,734	9,646	1,331,478	418,472
2029			109,000	23,610	136,000	30,800	129,787	122,549	9,967	9,413	1,383,754	366,472
2030			110,000	20,340	139,000	23,320	132,903	119,433	10,207	9,173	1,433,110	312,466
2031			111,000	17,040	141,000	15,675	136,094	116,242	10,452	8,928	1,483,546	256,385
2032			112,000	13,710	144,000	7,920	139,362	112,974	10,703	8,677	1,534,065	202,088
2033			114,000	10,350			142,708	109,628	10,960	8,420	1,584,668	147,638
2034			115,000	6,930			146,135	106,201	11,223	8,157	1,635,358	92,181
2035			116,000	3,480			149,643	102,693	11,492	7,888	1,686,004	36,732
2036							153,236	99,100	11,768	7,612	1,736,652	18,950
2037							156,915	95,421	12,051	7,329	1,787,303	11,467
2038							160,683	91,581	12,340	7,040	1,837,953	4,539
2039							164,541	87,795	12,636	6,744	1,888,604	1,432
2040							168,482	83,944	12,940	6,440	1,939,254	85,928
2041							172,537	79,789	13,251	6,129	1,989,904	27,899
2042							176,680	75,656	13,569	5,811	2,040,554	19,431
2043							180,922	71,414	13,895	5,485	2,091,204	11,467
2044							185,266	67,070	14,228	5,152	2,141,854	3,431
2045							189,714	62,621	14,570	4,810	2,192,504	52,327
2046							194,269	58,067	14,920	4,460	2,243,154	91,431
2047							198,934	53,402	15,278	4,102	2,293,804	130,535
2048							203,710	48,626	15,645	3,735	2,344,454	169,639
2049							208,601	43,735	16,020	3,360	2,395,104	208,743
2050							213,610	38,726	16,405	2,975	2,445,754	247,847
2051							218,739	33,597	16,799	2,581	2,496,404	286,951
2052							223,991	28,345	17,202	2,178	2,547,054	326,055
2053							229,369	22,967	17,615	1,765	2,597,704	365,159
2054							234,876	17,460	18,038	1,342	2,648,354	404,263
2055							240,516	11,820	18,471	909	2,699,004	443,367
2056							246,290	6,046	18,915	465	2,749,654	482,471
2057							119,575	813	9,225	65	2,800,304	521,575
****					(212,980)						(212,980)	
	\$ 132,000	\$ 8,491	\$ 1,809,000	\$ 503,160	\$ 1,576,020	\$ 767,800	\$ 6,359,834	\$ 3,349,248	\$ 489,468	\$ 257,262	\$ 22,908,322	\$ 9,310,346

* Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2018 is 1.51%.

** Variable interest rate. Assumed an interest rate of 5.00% for future interest payments as projected by the Tennessee Municipal Bond Fund, however, the current rate at June 30, 2018 is 1.51%.

*** Variable interest rate. Assumed an interest rate of 5.50% for future interest payments, however, the current rate at June 30, 2018 is 2.12%.

**** Variable interest rate. Assumed an interest rate of 3.00% for future interest payments, however, the current rate at June 30, 2018 is 2.12%.

***** Represents available loan funds that had not yet been drawn as of June 30, 2018.

Note: The schools drew down on Energy Efficient School Initiative Loan of \$4,849,434. Total draws as of June 30, 2018 totaled \$1,961,159. A repayment schedule has not been established for this loan.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities

June 30, 2018

Year Ending June 30,	Sewer Revenue and Tax Bonds Series 1979 5.00%		Gas Revenue and Tax Bonds Series 2011 2.95%		Series 2003 - Water*** Tennessee Municipal Loan Bond Pool		Series 2003 - Sewer**** Tennessee Municipal Loan Bond Pool		Series 2005 - Sewer**** Tennessee Municipal Loan Bond Pool		Series 2008 - Water**** Tennessee Municipal Loan Bond Pool		Series 2008 - Sewer**** Tennessee Municipal Loan Bond Pool	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 9,000	\$ 450	\$ 139,000	\$ 26,550	\$ 196,000	\$ 98,210	\$ 64,000	\$ 22,715	\$ 68,000	\$ 34,895	\$ 140,000	\$ 142,590	\$ 154,000	\$ 156,870
2020			143,000	22,449	202,000	91,350	66,000	20,475	71,000	32,515	146,000	137,690	161,000	151,480
2021			148,000	18,231	209,000	84,280	68,000	18,165	73,000	30,030	153,000	132,590	168,000	145,945
2022			152,000	13,865	215,000	76,965	69,000	15,785	76,000	27,475	160,000	127,225	176,000	139,965
2023			157,000	9,381	222,000	69,440	71,000	13,370	78,000	24,815	167,000	121,625	184,000	133,805
2024			161,000	4,747	229,000	61,670	74,000	10,885	81,000	22,085	175,000	115,780	192,000	127,365
2025					236,000	53,655	76,000	8,295	84,000	19,250	183,000	109,655	201,000	120,645
2026					244,000	45,395	74,000	8,540	87,000	16,310	191,000	103,250	210,000	113,610
2027					251,000	36,855			90,000	13,265	199,000	96,565	219,000	108,260
2028					259,000	28,070			93,000	10,115	208,000	89,600	229,000	98,585
2029					267,000	19,005			96,000	6,860	218,000	82,320	240,000	90,380
2030					276,000	9,660			100,000	3,500	227,000	74,590	250,000	82,180
2031											238,000	66,745	260,000	73,430
2032											248,000	58,415	273,000	64,260
2033											260,000	49,735	286,000	54,705
2034											271,000	40,635	298,000	44,695
2035											284,000	31,150	312,000	34,265
2036											296,000	21,210	326,000	23,345
2037											310,000	10,850	341,000	11,935
2038														
2039														
2040														
2041														

	\$ 9,000	\$ 450	\$ 900,000	\$ 95,223	\$ 2,806,000	\$ 674,555	\$ 562,000	\$ 118,230	\$ 997,000	\$ 241,115	\$ 4,074,000	\$ 1,612,310	\$ 4,482,000	\$ 1,773,835

* Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 7.18%.

** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 3.10%.

*** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 2.32%.

**** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 1.51%.

***** Represents available loan funds that had not yet been drawn as of June 30, 2018.

Note: The Sewer Department drew down on State Revolving Loan (SRF 2015-342) of \$1,833,160. Total draws as of June 30, 2018 totaled \$1,055,788. A repayment schedule has not been established for the loan.

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities
(Continued)

June 30, 2018

Year Ending June 30,	Electric System - Revenue Bond Series		Gas Department - Capital Outlay Note		Water Division - State of Tennessee State Drinking Water Fund Loan		Water Division - State of Tennessee Water System Revenue Anticipation Note		Water Division - CNH Industrial Capital Note		Sewer Division - State of Tennessee Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 666,667	\$ 329,583	\$ 100,000	\$ 21,000	\$ 27,912	\$ 2,556	\$ 393,333	\$ 151,433	\$ 30,186	\$ 9,882	\$ 59,828	\$ 3,300
2020	666,667	306,250	100,000	17,500	28,488	1,980	393,333	137,667	32,426	7,084	61,251	1,864
2021	666,667	282,917	100,000	14,000	29,076	1,392	393,333	123,900	34,633	5,442	47,001	1,459
2022	666,667	259,583	100,000	10,500	41,819	1,044	393,333	110,133	37,418	2,873		
2023	666,667	236,250	100,000	7,000			393,333	96,367	13,965	414		
2024	666,667	212,917	97,624	3,500			393,333	82,600				
2025	666,667	189,583					393,333	68,833				
2026	666,667	166,250					393,333	55,067				
2027	666,667	142,917					393,333	41,300				
2028	666,667	119,583					393,333	27,533				
2029	666,667	96,250					393,333	13,767				
2030	666,667	72,917										
2031	666,667	49,583										
2032	666,667	26,250										
2033	333,329	4,537										
2034												
2035												
2036												
2037												
2038												
2039												
2040												
2041												

	\$ 9,666,667	\$ 2,485,370	\$ 597,624	\$ 73,500	\$ 127,285	\$ 6,972	\$ 2,043,033	\$ 908,600	\$ 148,848	\$ 25,705	\$ 188,080	\$ 5,643
							(2,283,635)					

* Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 7.18%.

** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 3.10%.

*** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 2.32%.

**** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 1.51%.

***** Represents available loan funds that had not yet been drawn as of June 30, 2018.

Note: The Sewer Department drew down on State Revolving Loan (SRF 2015-342) of \$1,833,160. Total draws as of June 30, 2018 totaled \$1,055,788. A repayment schedule has not been established for this loan.

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities
(Continued)

June 30, 2018

Year Ending June 30,	Sewer Division - State of Tennessee Revolving Loan SRF99-126 2.23%		Sewer Division - State of Tennessee Revolving Loan SRF2001-155 2.00%		Sewer Division - State of Tennessee Revolving Loan SRF2006-191 1.60%		Sewer Division - State of Tennessee Revolving Loan SRF2008-218 1.47%		Sewer Division - CGA State of Tennessee Revolving Loan SRF2009-238 2.88%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 26,064	\$ 2,136	\$ 45,470	\$ 6,953	\$ 56,256	\$ 10,152	\$ 550,236	\$ 114,564	\$ 72,564	\$ 34,560
2020	26,652	1,548	46,561	5,862	57,168	9,240	558,384	106,416	74,688	32,436
2021	27,252	948	47,678	4,745	58,080	8,328	566,640	96,160	76,860	30,284
2022	26,320	336	48,823	3,600	59,016	7,392	575,028	89,771	79,104	28,020
2023			49,994	2,429	59,976	6,432	583,536	81,264	81,408	25,716
2024			72,636	1,229	60,936	5,472	592,176	72,624	83,784	23,340
2025					61,920	4,488	600,936	63,864	86,232	20,892
2026					62,916	3,492	609,828	54,972	88,752	18,372
2027					63,936	2,472	618,864	45,936	91,344	15,780
2028					64,968	1,440	628,020	36,780	94,008	13,116
2029					55,026	407	637,308	27,492	96,756	10,368
2030							646,740	18,060	98,576	7,548
2031							656,316	8,484	190,821	6,294
2032							220,879	627		
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										

	\$ 106,268	\$ 4,968	\$ 311,162	\$ 24,818	\$ 660,198	\$ 59,315	\$ 8,044,891	\$ 819,014	\$ 1,215,897	\$ 266,706

* Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 7.18%.

** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 3.10%.

*** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 2.32%.

**** Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 1.51%.

***** Represents available loan funds that had not yet been drawn as of June 30, 2018.

Note: The Sewer Department drew down on State Revolving Loan (SRF 2015-342) of \$1,833,160. Total draws as of June 30, 2018 totaled \$1,055,789. A repayment schedule has not been established for this loan.

(Continued)

CITY OF LENOIR CITY, TENNESSEE
Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities
(Continued)

June 30, 2018

Year Ending June 30,	Electric System - Local Government Loan Program Series 2016 2.35%		Electric System - Local Government Loan Program Series 2016 Variable Rate***		Total Bonds and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 797,000	\$ 578,906	\$ 840,000	\$ 846,160	\$ 4,435,516	\$ 2,593,465
2020	816,000	599,858	857,000	816,760	4,507,618	2,460,454
2021	836,000	540,355	874,000	786,765	4,576,420	2,326,806
2022	857,000	520,375	891,000	756,175	4,623,528	2,191,082
2023	878,000	499,892	909,000	725,990	4,614,899	2,054,180
2024	899,000	478,908	927,000	693,175	4,705,156	1,916,297
2025	921,000	457,422	945,000	660,730	4,455,088	1,777,312
2026	944,000	435,410	964,000	627,655	4,535,496	1,648,323
2027	967,000	412,849	983,000	593,915	4,543,144	1,508,114
2028	990,000	388,737	1,002,000	559,510	4,627,996	1,374,079
2029	1,015,000	366,076	1,022,000	524,440	4,707,095	1,237,565
2030	1,040,000	341,818	1,042,000	488,670	4,347,983	1,099,043
2031	1,065,000	316,962	1,063,000	452,200	4,141,804	973,698
2032	1,091,000	291,508	1,084,000	414,985	3,583,546	856,055
2033	1,118,000	265,433	1,105,000	377,055	3,102,329	751,485
2034	1,145,000	238,713	1,127,000	338,380	2,841,000	662,423
2035	1,173,000	213,348	1,150,000	298,935	2,919,000	577,698
2036	1,202,000	183,313	1,172,000	259,685	2,996,000	486,553
2037	1,232,000	154,585	1,196,000	217,865	3,079,000	395,035
2038	1,262,000	125,140	1,219,000	173,805	2,461,000	300,945
2039	1,293,000	94,979	1,243,000	133,140	2,536,000	228,119
2040	1,324,000	64,076	1,268,000	89,635	2,562,000	153,711
2041	1,357,000	32,432	1,293,000	45,255	2,650,000	77,687
*****			(888,409)		(3,172,043)	-
	\$ 24,222,000	\$ 7,562,095	\$ 23,287,592	\$ 10,881,695	\$ 84,429,575	\$ 27,650,119

* Variable interest rate. Assumed a conservative interest rate of 3.50% for future interest payments, even though the current rate at June 30, 2018 is at 7.18%.

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Note: The Sewer Department drew down on State Revolving Loan (SRF 2015-342) of \$1,833,160. Total draws as of June 30, 2018 totaled \$1,055,788. A repayment schedule has not been established for this loan.

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
POWER AND LIGHT DEPARTMENT

Schedule of Utility Plant

June 30, 2018

	Assets			Accumulated Depreciation				Net Plant
	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018	Balance July 1, 2017	Expense	Adjustments Plus Cost of Removal Minus Salvage	
Utility plant:								
Distribution plant:								
Land and land rights	\$ 2,917,693	\$ 500	\$ -	\$ 2,918,193	\$ -	\$ -	\$ -	\$ 2,918,193
Structures and improvements	1,666,086	-	-	1,666,086	600,981	49,983	-	1,015,122
Station equipment	34,935,160	203,458	-	35,138,618	19,012,383	1,400,119	-	14,726,116
Poles, towers and fixtures	29,716,078	1,227,897	307,566	30,636,409	8,553,646	902,378	513,561	21,693,946
Overhead conductors and devices	21,658,433	2,575,845	106,474	24,127,804	4,303,995	500,756	850,214	20,173,267
Underground conduit	6,380,765	408,899	17,323	6,772,341	2,227,304	195,733	22,513	4,371,817
Underground conduit and devices	24,954,660	1,073,202	124,538	25,903,324	7,655,062	759,028	144,986	17,634,220
Line transformers	42,362,469	1,998,745	295,768	44,065,446	13,904,555	1,076,872	391,324	29,475,343
Services	7,851,591	815,394	114,197	8,552,788	1,183,525	187,499	168,181	7,349,945
Meters	15,065,113	982,617	157,756	15,889,974	5,120,027	1,026,447	157,250	9,900,750
Installation on customers' premises	2,838,312	156,087	42,040	2,952,359	2,248,101	172,739	45,479	576,998
Street lighting and signal system	424,121	5,110	1,605	427,626	313,146	12,788	2,830	104,522
Total distribution plant	190,770,481	9,447,754	1,167,267	199,050,968	65,122,725	6,284,342	2,296,338	129,940,239
General plant:								
Land and land rights	4,040,188	-	-	4,040,188	-	-	-	4,040,188
Structures and improvements	2,742,673	40,730,114	-	43,472,787	1,231,058	394,271	-	41,847,458
Equipment and office furniture	2,512,737	6,489,591	-	9,002,328	835,952	419,253	-	7,747,123
Transportation equipment	5,074,086	348,849	31,466	5,391,469	4,382,525	80,801	31,466	959,609
Stores equipment	59,927	-	-	59,927	59,927	-	-	-
Tools, shop and garage equipment	503,692	463,111	-	966,803	326,708	34,848	-	605,247
Laboratory equipment	261,233	-	-	261,233	256,127	5,105	-	1
Power operated equipment	238,921	76,674	-	315,595	238,921	3,932	-	72,742
Communications equipment	619,894	219,345	-	839,239	382,716	60,692	-	395,831
Miscellaneous	326,649	-	-	326,649	124,275	26,131	-	176,243
Total general plant	16,380,000	48,327,684	31,466	64,676,218	7,838,209	1,025,033	31,466	55,844,442
Total electric plant in service	207,150,481	57,775,438	1,198,733	263,727,186	72,960,934	7,309,375	2,327,804	185,784,681
Plant future use	35,882,425	(35,839,490)	-	42,935	-	-	-	42,935
Construction work in progress	16,000,047	(54,421)	-	15,945,626	-	-	-	15,945,626
Total utility plant	\$ 259,032,953	\$ 21,881,527	\$ 1,198,733	\$ 279,715,747	\$ 72,960,934	\$ 7,309,375	\$ 2,327,804	\$ 201,773,242

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
GAS DEPARTMENT

Schedule of Utility Plant

June 30, 2018

	Assets			Accumulated Depreciation			Net Plant
	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Expense	Retirements	
Utility plant:							
Distribution plant:							
Land and land rights	\$ 1,684	\$ -	\$ -	\$ 1,684	\$ -	\$ -	\$ 1,684
Structures and improvements	16,081,382	219,325	20,677	16,280,030	465,822	10,009	8,784,690
Measuring and regulating station equipment	93,474	-	-	93,474	1,869	-	56,823
Total distribution plant	16,176,540	219,325	20,677	16,375,188	467,691	10,009	8,843,197
General plant:							
Structures and improvements	57,411	-	-	57,411	1,148	-	17,384
Office equipment	236,455	21,940	-	258,395	12,635	-	166,172
Transportation equipment	592,508	59,570	-	652,078	6,275	-	204,730
Tools and other equipment	237,565	-	-	237,565	3,087	-	30,503
Communication equipment	92,880	15,475	-	108,355	6,192	-	31,568
Power operated equipment	131,306	5,733	-	137,039	1,351	-	4,828
Total general plant	1,348,125	102,718	-	1,450,843	30,688	-	455,185
Total gas plant in service	17,524,665	322,043	20,677	17,826,031	498,379	10,009	9,298,382
Construction work in progress	78,869	47,413	-	126,282	-	-	126,282
Total utility plant	\$ 17,603,534	\$ 369,456	\$ 20,677	\$ 17,952,313	\$ 498,379	\$ 10,009	\$ 9,424,664

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT
WATER DIVISION

Schedule of Utility Plant

June 30, 2018

	Assets			Accumulated Depreciation			Net plant
	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018	Expenses	Retirements/ Adjustments	
Utility plant:							
Treatment and distribution plant:							
Water plant and service equipment	\$ 3,359,255	\$ -	\$ -	\$ 3,359,255	\$ 83,982	\$ -	\$ 2,903,570
Reservoirs and standpipes	2,750,089	-	-	2,750,089	68,752	-	926,901
Supply mains and pumping equipment	16,100,437	111,578	-	16,212,015	372,324	(205)	5,419,651
Water treatment equipment	126,695	-	-	126,695	6,335	-	119,836
Services	2,356,166	111,226	7,455	2,459,937	59,779	6,081	524,731
Meters and hydrants	4,810,937	103,426	4,524	4,909,839	193,435	2,827	686,144
Total treatment and distribution plant	29,503,579	326,230	11,979	29,817,830	784,607	8,703	10,580,833
General plant:							
Land and land rights	193,819	-	-	193,819	-	-	-
Structures and improvements	529,887	-	-	529,887	10,607	-	288,293
Transportation equipment	279,095	165,488	-	444,583	16,707	-	295,802
Tools, shop and garage equipment	558,854	47,683	-	606,537	19,711	-	323,819
Total general plant	1,561,655	213,171	-	1,774,826	47,025	-	907,914
Total water plant in service	31,065,234	539,401	11,979	31,592,656	831,632	8,703	11,488,747
Water plant for future use	6,388	(6,388)	-	-	-	-	-
Construction work in progress	463,554	195,281	-	658,835	-	-	-
Total utility plant	\$ 31,535,176	\$ 728,294	\$ 11,979	\$ 32,251,491	\$ 831,632	\$ 8,703	\$ 11,488,747
							\$ 20,762,744

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Utility Plant

June 30, 2018

	Assets			Accumulated Depreciation			Net Plant
	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Expense	Retirements	
Utility plant:							
Treatment and distribution plant:							
Land and land rights	\$ 12,500	\$ -	\$ -	\$ 12,500	\$ -	\$ -	\$ 12,500
Sewage treatment plant and lift station	3,255,395	39,695	-	3,295,090	118,599	(5,196)	488,986
Interception sewers	18,192,585	-	-	18,192,585	454,815	-	10,259,867
Structures and improvements	19,648,707	-	-	19,648,707	392,912	-	17,399,768
Meters	12,459	-	-	12,459	249	-	6,108
Supply mains	36,846	-	-	36,846	921	-	24,555
Services	864,430	250,790	-	1,115,220	24,232	-	976,637
Total treatment and distribution plant	42,022,922	290,485	-	42,313,407	991,728	(5,196)	29,168,664
General plant:							
Land and land rights	127,518	-	-	127,518	-	-	127,518
Paving	5,600	-	-	5,600	-	-	-
Transportation equipment	88,221	-	-	88,221	1,413	-	22,068
Tools and equipment	282,625	14,206	-	296,831	8,421	-	203,298
Office furniture and equipment	159,671	18,806	-	178,477	8,351	-	149,595
Total general plant	663,635	33,012	-	696,647	18,185	-	502,479
Total sewer plant in service	42,686,557	323,497	-	43,010,054	1,009,913	(5,196)	29,671,143
Construction work in progress	1,731,278	2,804,001	-	4,535,279	-	-	4,535,279
Total utility plant	\$ 44,417,835	\$ 3,127,498	\$ -	\$ 47,545,333	\$ 1,009,913	\$ (5,196)	\$ 34,206,422

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
Schedule of Changes in Property Taxes Receivable
For the Fiscal Year Ended June 30, 2018

Tax Year	Balance June 30, 2017	Billed Assessment	Abatements and Adjustments	Collections	Balance June 30, 2018
2017	\$ -	\$ 2,589,369	\$ 5,775	\$ (2,498,035)	\$ 97,109
2016	121,636	-	(1,565)	(82,377)	37,694
2015	41,304	-	(861)	(20,069)	20,374
2014	7,361	-	(31)	(6,264)	1,066
2013	3,288	-	(3)	(1,941)	1,344
2012	1,975	-	-	(1,697)	278
2011	88	-	-	-	88
2010	736	-	-	-	736
2009	624	-	(38)	-	586
2008	793	-	(793)	-	-
Total	<u>\$ 177,805</u>	<u>\$ 2,589,369</u>	<u>\$ 2,484</u>	<u>\$ (2,610,383)</u>	159,275
January 1, 2018 property tax assessment not to be billed until October 1, 2018					<u>2,590,000</u>
					<u>\$ 2,749,275</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE

Analysis of Tax Rates and Assessments

June 30, 2018

Tax Year	Assessed Value	Tax Rate Per \$100	Total Tax Levy	Total Tax Collections	Collections as a Percent of Total Levy	Outstanding Delinquent Taxes	Delinquent Taxes Filed in Chancery Court
2017	\$ 257,600,822	1.06	\$ 2,589,369	\$ 2,492,260	96.25%	\$ 97,109	\$ -
2016	233,291,410	1.06	2,524,489	2,486,795	98.51%	37,694	37,694
2015	228,300,875	1.06	2,473,810	2,453,436	99.18%	20,374	20,374
2014	227,120,735	1.06	2,462,297	2,461,231	99.96%	1,066	1,066
2013	225,361,647	1.06	2,436,932	2,435,588	99.94%	1,344	1,344
2012	227,304,441	1.06	2,460,510	2,460,232	99.99%	278	278
2011	224,107,931	1.06	2,378,836	2,378,748	99.99%	88	88
2010	220,023,798	1.06	2,335,466	2,334,730	99.97%	736	736
2009	215,717,389	1.06	2,289,496	2,288,910	99.97%	586	586
2008	169,780,076	1.30	2,209,909	2,209,909	100.00%	-	-

Source: City Management

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
POWER AND LIGHT DEPARTMENT

Schedule of Utility Rates and Number of Customers

June 30, 2018

RESIDENTIAL RATE - SCHEDULE RS

Customer Charge.....\$18.12 per month less \$1.60 hydro allocation credit

Energy ChargeFirst 800 kWh per month at 9.284¢ per kWh
Additional kWh at 9.284¢ per month

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer Charge.....\$18.12 per delivery point per month

Energy Charge10.789¢ per kWh per month

PART 2.

Customer Charge.....\$61.19 per delivery point per month

Demand Charge.....First 50 kW of billing demand per month, no charge
Excess over 50 kW of billing demand per month at \$13.58 per kW

Energy ChargeFirst 15,000 kWh per month at 10.608¢ per kWh
Additional kWh per month at 6.329¢ per kWh

PART 3.

Customer Charge.....\$168.88 per delivery point per month

Demand Charge.....First 1,000 kW of billing demand per month at \$13.47 per kW
Excess over 1,000 kW of billing demand per month at \$14.67 per kW, plus an
additional \$15.60 per kW per month for each kW, if any, of the amount by which the
customer's billing demand exceeds the higher of 2,500 kW or its contract demand

Energy Charge6.3335¢ per kWh per month

GENERAL POWER RATE - SCHEDULE TOU GSB

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

Demand Charge.....\$10.61 per kW of on-peak billing demand per month, plus \$5.09 per kW of off-peak
billing demand, plus an additional \$10.61 per kW per month for each kW, if any, of
the amount by which the customer's billing demand exceeds its contract demand

Energy Charge9.255¢ per off-peak kWh for up to 200 hours use of metered demand (HUD) per
month, plus 6.820¢ per off-peak kWh for next 200 HUD, plus 2.296¢ per off-peak
kWh additional HUD 1.962¢ per kWh for all on-peak kWh per month

(Continued)

CITY OF LENOIR CITY, TENNESSEE
POWER AND LIGHT DEPARTMENT

Schedule of Utility Rates and Number of Customers
(Continued)

June 30, 2018

GENERAL POWER RATE - SCHEDULE TOU GSC

Customer Charge.....	\$1,500.00 per delivery point per month
Demand Charge.....	\$10.61 per kW of on-peak billing demand per month, plus \$4.58 per kW of off-peak billing demand, plus an additional \$10.61 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
Energy Charge	6.820¢ per off-peak kWh for up to 200 hours use of metered demand per month, plus 2.296¢ per off-peak kWh for next 200 HUD, plus 1.962¢ per off-peak kWh additional HUD 9.255¢ per kWh for all on-peak kWh per month

GENERAL POWER RATE - SCHEDULE TOU GSD

Customer Charge.....	\$1,500.00 per delivery point per month
Demand Charge.....	\$10.61 per kW of on-peak billing demand per month, plus \$4.47 per kW of off-peak billing demand, plus an additional \$10.61 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
Energy Charge	6.820¢ per off-peak kWh for up to 200 hours use of metered demand per month, plus 2.184¢ per off-peak kWh for next 200 HUD, plus 1.962¢ per off-peak kWh additional HUD 9.255¢ per kWh for all on-peak kWh per month

OUTDOOR LIGHTING RATE - SCHEDULE LS

Customer Charge.....	\$2.50
Energy Charge	6.581¢ per kWh
Facility Charge	LP (13)% <u> B </u> A or B

Customer Data

	<u>Number of Customers</u>
Residential	53,343
General power - 50 kW and under	11,149
General power - over 50 kW	1,002
Street and athletic lighting	<u>508</u>
	<u>66,002</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
GAS DEPARTMENT

Schedule of Utility Rates and Number of Customers

June 30, 2018

Gas Rates in Effect at June 30, 2018*

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

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

Customer Data

	<u>Number of Customers</u>
Residential	5,346
Small commercial	933
Large commercial	5
Interruptible	<u>4</u>
	<u>6,288</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT
WATER DIVISION

Schedule of Utility Rates and Number of Customers

June 30, 2018

Water Rates in Effect at June 30, 2018

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

Customer Data

	<u>Number of</u>
	<u>Customers</u>
Residential	7,500
Small commercial	1,305
Large and commercial	14
Martel resale	3
Industrial	<u>444</u>
	<u>9,266</u>

See independent auditor's report.

CITY OF LENOIR CITY, TENNESSEE
WATER AND SEWER DEPARTMENT
SEWER DIVISION

Schedule of Utility Rates and Number of Customers

June 30, 2018

Sewer Rates in Effect at June 30, 2018

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
<u>Residential</u>		
First 2,000 gallons - minimum bill*	\$21.24	\$30.79
Excess of 2,000 gallons	8.52	12.36
*Max on residential sewer – 20,000 gallons		
<u>Commercial</u>		
First 2,000 gallons - minimum bill	\$21.24	\$30.79
Excess of 2,000 gallons	8.52	12.36
<u>Industrial</u>		
First 2,000 gallons - minimum bill	\$20.23	\$26.29
Excess of 2,000 gallons	5.70	5.70

Customer Data

	<u>Number of Customers</u>
Residential	4,446
Commercial and Industrial	<u>925</u>
	<u>5,371</u>

See independent auditor's report.

STATISTICAL SCHEDULES (Unaudited)

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Lenoir City Utilities Board (000396)**
Reporting Year: **2018** **7/2017 - 6/2018**

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

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

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

WATER SUPPLIED

Volume from own sources: **9** **1,037.449** MG/Yr
Water imported: **7** **158.583** MG/Yr
Water exported: **n/a** **0.000** MG/Yr

Master Meter and Supply Error Adjustments

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

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

WATER SUPPLIED: **1,196.032** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: **10** **598.334** MG/Yr
Billed unmetered: **n/a** **0.000** MG/Yr
Unbilled metered: **n/a** **0.000** MG/Yr
Unbilled unmetered: **9** **42.900** MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **641.234** MG/Yr

Click here: for help using option buttons below

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

Use buttons to select percentage of water supplied OR value

Pcnt: **0.25%** **Value:** **MG/Yr**

5.00% **0.25%** **MG/Yr**

WATER LOSSES (Water Supplied - Authorized Consumption)

554.798 MG/Yr

Apparent Losses

Unauthorized consumption: **2.990** MG/Yr

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

Customer metering inaccuracies: **6** **31.491** MG/Yr
Systematic data handling errors: **1.496** MG/Yr

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

Apparent Losses: **35.977** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **518.821** MG/Yr

WATER LOSSES: **554.798** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **597.698** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: **10** **216.0** miles
Number of active AND inactive service connections: **9** **9,852**
Service connection density: **46** conn./mile main

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

Average length of customer service line: **98.0** psi

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

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

Average operating pressure: **98.0** psi

COST DATA

Total annual cost of operating water system: **10** **\$3,759,678** \$/Year
Customer retail unit cost (applied to Apparent Losses): **6** **\$7.02** \$/1000 gallons (US)
Variable production cost (applied to Real Losses): **9** **\$471.14** \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 82 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

1: Customer metering inaccuracies

2: Customer retail unit cost (applied to Apparent Losses)

3: Volume from own sources



AWWA Free Water Audit Software: System Attributes and Performance Indicators

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

Water Audit Report for: **Lenoir City Utilities Board (000396)**
Reporting Year: **2018** **7/2017 - 6/2018**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***

System Attributes:

Apparent Losses:	35.977	MGNr
+ Real Losses:	518.821	MGNr
= Water Losses:	554.798	MGNr
? Unavoidable Annual Real Losses (UARL):	94.66	MGNr
Annual cost of Apparent Losses:	\$252,560	
Annual cost of Real Losses:	\$244,437	

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: {

Non-revenue water as percent by volume of Water Supplied:

50.0%

Non-revenue water as percent by cost of operating system:

13.8%

Real Losses valued at Variable Production Cost

Operational Efficiency: {

Apparent Losses per service connection per day:

10.00

gallons/connection/day

Real Losses per service connection per day:

144.28

gallons/connection/day

Real Losses per length of main per day*:

N/A

Real Losses per service connection per day per psi pressure:

1.47

gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):

518.82

million gallons/year

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

5.48

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

CITY OF LENOIR CITY, TENNESSEE

Miscellaneous Statistical Data

June 30, 2018

Incorporated	April, 1907
Form of government	Mayor - Aldermen
Adopted Home Rule Charter	December 9, 1954
Area in square miles	7.0
Codes enforcement:	
Number of full-time employees	2
Police protection:	
Number of stations	1
Number of full-time employees	25
Number of part-time employees	6
Fire protection:	
Number of stations	2
Number of full-time employees	18
Number of part-time employees	17
Total number of public safety employees (full-time)	46
Recreation:	
Parks (acres)	102
Playgrounds	8
Number of certified teachers	131
Number of specialized instructional staff	35
Number of administrative staff	14
Enrollment	
Elementary schools - (1)	521
Junior high schools - (1)	614
High schools - (1)	1,193
Average daily attendance	2,211
Municipal water plant:	
Average daily consumption in gallons	1,300,000
Maximum storage capacity in gallons	5,000,000
Paved streets (per lane mile)	129
Water lines (miles)	215
Sanitary sewer (miles)	85
Gas lines (miles)	195

Source: City, Schools and Utility Board Management

See independent auditor's report.

INTERNAL CONTROL & COMPLIANCE

Internal Control & Compliance
The Internal Control & Compliance
Section is responsible for
the design, implementation,
monitoring and reporting
of the internal control system.

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BROWN JAKE & McDANIEL, PC

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JAMES E. BOOHER, CPA, CGMA

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

Board of Mayor and Alderman
City of Lenoir City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lenoir City, Tennessee, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described as finding #2018-001 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency.

Compliance and Other Matters

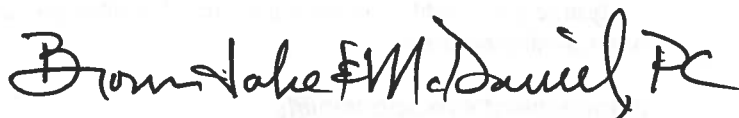
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
March 26, 2019

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

Mayor and Board of Aldermen
City of Lenoir City, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Lenoir City, Tennessee's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City 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, 2018.

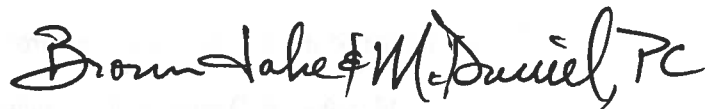
Report on Internal Control Over Compliance

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

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
March 26, 2019

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

ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF AUDITOR'S RESULTS

A. An unqualified opinion was issued on the financial statements of the City of Lenoir City, Tennessee (the City) for the year ended June 30, 2018.

B. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? ☒ yes ☐ none reported

C. Our audit disclosed no instances of noncompliance considered by us to be material to the financial statements.

D. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? ☐ yes ☒ none reported

E. An unqualified opinion was issued for compliance for the City's major programs.

F. The audit disclosed no audit findings requiring reporting under Section .510(a).

G. We identified the following major federal assistance programs:

14.228 – US Department of Housing and Urban Development –
Community Development Block Grant

School Nutrition Cluster consisting of –

10.555 – US Department of Agriculture – Section 4 and 11 Lunches
10.553 – US Department of Agriculture – Breakfast Program

H. The threshold for distinguishing between Type A and Type B programs was \$750,000.

I. The auditee was determined to be a low risk auditee.

II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL

Lenoir City Utilities Board

Finding #2018-001: Purchasing and Cash Disbursements

Condition: During our testing of disbursements, we noted the following:

- Numerous instances where purchases met the threshold requiring bid procedures to be followed, however, only quotes were requested.
- Numerous instances where no support for bids were provided, when bids were required.

Criteria: The Utilities purchasing policy related to bids should be followed.

Cause: Failure to follow the Board's policy related to bids for certain purchases.

Effect: The Board made purchases without receiving competitive bidding

Recommendation: We recommend the Utilities Board's purchasing policy be followed for competitive bidding.

Management's Response: We concur. Management is now aware of some past items that were not properly bid and/or were purchased on an outdated contract. Management will review the purchasing policy with the purchasing agent to make sure there is a clear understanding of the policy and the purchasing procedures. Going forward, management will provide additional oversight of the purchasing procedures to ensure all policies are being followed properly.

III. SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF LENOIR CITY, TENNESSEE

Summary Schedule of Prior Audit Findings

Finding Number	Finding Title	Status
#17-001	Segregation of Duties – Cafeteria Fund	Corrected



November 28, 2018

Corrective Action Plan

Finding: Instances where purchases met the threshold requiring bid procedures to be followed, however, only quotes were requested. Also instances where no support for bids were provided, when bids were required.

Response and Corrective Action Plan Prepared by: Suzan Williams

Anticipated Completion Date of Corrective Action: November 30, 2018

Repeat Finding: No

Planned Corrective Action: Management will review the purchasing policy with the purchasing agent to ensure there is a clear understanding of the policy and the purchasing procedure. Management will provide additional oversight of the purchasing procedures to ensure all policies are being followed properly.

Suzan H. Williams
Lenoir City Utilities Board
7698 Creekwood Park Blvd
Lenoir City, TN 37772

Copies of the complete financial statements of the City for the current Fiscal Year are available at <https://www.comptroller.tn.gov/office-functions/la/reports/audit-reports.html>.