

OFFICIAL STATEMENT

NEW ISSUE

BOOK-ENTRY-ONLY

Rating: S&P – “A”

(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.)

\$2,815,000

CITY OF ETOWAH, TENNESSEE

General Obligation Refunding Bonds, Series 2020

Dated: August 7, 2020

Due: June 1, as shown below.

The \$2,815,000 General Obligation Refunding Bonds, Series 2020 (the “Bonds”) issued by the City of Etowah (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 December 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 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 Bonds are additionally payable from and secured by a pledge of the revenues to be derived from the operation of the City’s Electric System (the “Electric System”) subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring such system, and to prior pledges of such net revenues in favor of the City’s outstanding electric system obligations. See section entitled “SECURITIES OFFERED – Security”. See section entitled “SECURITIES OFFERED – Security”.

The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028.

<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>
2022	\$ 275,000	3.00 %	0.35 %	297785FJ1	2028	\$ 225,000	3.00 %	0.90 %	297785FQ5
2023	275,000	3.00	0.40	297785FK8	2029	215,000	2.00	1.00 c	297785FR3
2024	275,000	3.00	0.47	297785FL6	2030	215,000	2.00	1.10 c	297785FS1
2025	245,000	3.00	0.55	297785FM4	2031	215,000	2.00	1.15 c	297785FT9
2026	225,000	3.00	0.67	297785FN2	2032	215,000	2.00	1.20 c	297785FU6
2027	225,000	3.00	0.78	297785FP7	2033	210,000	2.00	1.25 c	297785FV4

c = Yield to call on June 1, 2028

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 Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the City by Russ Blair, Esquire, City Attorney. 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 August 7, 2020.

Cumberland Securities Company, Inc.

Municipal Advisor

July 16, 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.

****Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.**

CITY OF ETOWAH, TENNESSEE

COMMISSIONERS

E. Burke Garwood, *Mayor*

Jim Swayne – Vice Mayor

Mike Casteel

Gene Keller

Max Miller

CITY OFFICIALS

Tina Tuggle

City Manager

Alison Bull

City Recorder / Finance Director

Russell Blair

City Attorney

UNDERWRITER

FHN Financial Capital Markets

Memphis, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank

Nashville, Tennessee

BOND COUNSEL

Glankler Brown, PLLC

Memphis, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SECURITIES OFFERED	
Authority and Purpose	1
Description of the Bonds	1
Refunding Plan	1
Security	2
Qualified Tax-Exempt Obligations	2
Optional Redemption	2
Notice of Redemption	3
Payment of Bonds	3
BASIC DOCUMENTATION	
Registration Agent	5
Book-Entry-Only System	5
Discontinuance of Book-Entry-Only System	7
Disposition of Bond Proceeds	8
Discharge and Satisfaction of Bonds	8
Remedies of Bondholders	9
LEGAL MATTERS	
Litigation	10
Tax Matters	
<i>Federal</i>	10
<i>State Tax</i>	11
Changes in Federal and State Tax Law	12
Closing Certificates	12
Approval of Legal Proceedings	13
MISCELLANEOUS	
Rating	14
Competitive Public Sale	14
Municipal Advisor; Related Parties; Other	14
Additional Debt	15
Debt Limitations	16
Debt Record	16
Continuing Disclosure	16
<i>Five-Year History of Filing</i>	16
<i>Content of Annual Report</i>	16
<i>Reporting of Significant Events</i>	17
<i>Termination of Reporting Obligation</i>	18
<i>Amendment; Waiver</i>	18
<i>Default</i>	19
Bondholder Risk – COVID-19	19
Additional Information	21
CERTIFICATION OF THE CITY	22
APPENDIX A: LEGAL OPINION	

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

Location	B-1
General.....	B-1
Transportation.....	B-1
Education	B-1
Healthcare	B-2
Manufacturing and Commerce	B-3
Employment Information	B-4
Economic Data	B-5
Recent Developments.....	B-5

DEBT STRUCTURE

Summary of Bonded Indebtedness	B-6
Indebtedness and Debt Ratios	B-7
Debt Service Requirements - General Obligation	B-9
Debt Service Requirements – Etowah Utilities – Electric System	B-10
Debt Service Requirements – Etowah Utilities – Water and Sewer	B-11
Debt Service Requirements – Etowah Utilities – Gas System.....	B-12

FINANCIAL OPERATIONS

Basis of Accounting and Presentation	B-13
Fund Balances and Retained Earnings.....	B-13
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – General Fund	B-14
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – Utility Board	B-15
Investment and Cash Management Practices	B-16
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i>	B-16
<i>County Taxation of Property</i>	B-17
<i>Assessment of Property</i>	B-17
<i>Periodic Reappraisal and Equalization</i>	B-18
<i>Valuation for Property Tax Purposes</i>	B-19
<i>Certified Tax Rate</i>	B-19
<i>Tax Freeze for the Elderly Homeowners</i>	B-20
<i>Tax Collection and Tax Lien</i>	B-20
<i>Assessed Valuations</i>	B-21
<i>Property Tax Rates and Collections</i>	B-21
<i>Ten Largest Taxpayers</i>	B-22
Pension Plans	B-23

APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS – THE CITY OF ETOWAH, TENNESSEE

APPENDIX D: GENERAL PURPOSE FINANCIAL STATEMENTS – ETOWAH UTILITIES BOARD

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 Etowah, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered	\$2,815,000 General Obligation Refunding Bonds, Series 2020 (the “Bonds”) of the City, dated August 7, 2020. The Bonds mature each June 1 beginning June 1, 2022 through June 1, 2033, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	<p>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 Bonds are additionally payable from and secured by a pledge of the revenues to be derived from the operation of the City’s Electric System (the “Electric System”) subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring such system, and to prior pledges of such net revenues in favor of the City’s outstanding electric system obligations.</p> <p>The City may issue additional bonds in the future secured by the revenues of its electric system on a pari passu basis with the Bonds without meeting any conditions or tests.</p>
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 Bonds.
Optional Redemption	The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028. See the section entitled “SECURITIES OFFERED – Optional Redemption”.
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.)
Bank Qualification	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating	S&P: “A”. 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.....FHN Financial Capital Markets, Memphis, Tennessee.

Bond CounselGlankler Brown, PLLC, Memphis, 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, *Tennessee Code Annotated*, 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 Ms. Tina Tuggle, City Manager, 701 Tennessee Avenue, Etowah, Tennessee 37331, Telephone: 423-263-2202; 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Beginning Fund Balance	\$1,380,066	\$1,588,409	\$1,567,568	\$1,812,947	\$1,793,278
Revenues	2,905,787	2,957,293	3,297,186	3,025,894	3,658,735
Expenditures	3,155,166	3,358,573	3,554,078	3,978,030	4,416,022
Excess of Revenues					
Over (Under) Expenditures	(249,379)	(401,280)	(256,892)	(952,136)	(857,287)
Other Financing Sources:					
Debt Proceeds	110,000	-	133,000	600,000	1,072,658
In Lieu of Tax – Etowah UB	478,447	496,253	506,855	529,927	543,712
Transfers In	12,670	27,581	5,811	-	-
Transfers Out	(143,395)	(143,395)	(143,395)	(197,460)	(368,699)
Excess of Revenues / Expenditures	208,343	(20,841)	245,379	(19,669)	390,384
Ending Fund Balance	<u>\$1,588,409</u>	<u>\$1,567,568</u>	<u>\$1,812,947</u>	<u>\$1,793,278</u>	<u>\$2,183,662</u>

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

\$2,815,000
CITY OF ETOWAH, 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 Etowah, Tennessee (the “City”) of \$2,815,000 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 Commission on June 22, 2020 (the “Resolutions”).

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

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from August 7, 2020. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 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.

REFUNDING PLAN

The City is proposing to issue the Bonds to refinance the City’s outstanding General Obligation Bonds, Series 2013A, dated April 12, 2013, maturing June 1, 2021 and thereafter (the “Outstanding Bonds”). The Outstanding Bonds will be called for redemption on August 7, 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 Division of Local Government Finance for review, and a report was received thereon.

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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 Bonds are additionally payable from and secured by a pledge of the revenues to be derived from the operation of the City's Electric System (the "Electric System") subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring such system, and to prior pledges of such net revenues in favor of the City's outstanding electric system obligations.

The City may issue additional bonds in the future secured by the revenues of its electric system on a pari passu basis with the Bonds without meeting any conditions or tests.

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 or from the revenue of the Electric System or Water and Sewer System 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2028 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Commission of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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-only 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"). 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) a portion of the proceeds from the sale of the Bonds, together with such other City funds as may be identified by the Mayor and, if applicable, investment earnings on the foregoing, shall be applied to the refunding of the Outstanding Bonds by paying such funds directly to the holders (or paying agents for the holders) of the Outstanding Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance 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 (1) or clause (2) 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 mean 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 instrumentality 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. Glankler Brown, PLLC, Memphis, 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.

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

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 Glankler Brown, PLLC, Memphis, 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 “A”.

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 debt 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 July 16, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 6, 2020.

The successful bidder for the Bonds was an account led by FHN Financial Capital Markets, Memphis, Tennessee (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 \$3,049,494.36 (consisting of the par amount of the Bonds, plus an original issue premium of \$255,181.85 and less an underwriter’s discount of \$20,687.49) or 108.330% 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, Glankler Brown, PLLC 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 debt 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, 2020 (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 rating changes of the bonds insured by such insurance companies were made or made in a timely manner as required by SEC Rule 15c2-2. 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 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 each of the Repositories 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.

BONDHOLDER RISK - COVID-19

The world-wide outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread to several counties and cities in the State of Tennessee, including the Issuer and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The spread of COVID-19 has led to quarantine and other “social distancing” measures in affected regions. While effects of COVID-19 on the Issuer may be temporary, the virus has affected travel, commerce and financial markets across the world. Additionally, U.S. and global stock markets have recently experienced significant volatility and overall declines that have attributed to COVID-19 concerns.

The Issuer is unable to predict: (i) the extent or duration of the COVID-19 outbreak or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of the Issuer. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the Issuer cannot accurately predict the magnitude of the impact of COVID-19 on the Issuer and its financial condition. The Issuer is proactively taking steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential Issuer operations.

The Issuer relies in part on the collection of tax revenues generated from commercial activity, such as sales taxes and business taxes. As long as quarantine and other “social distancing” measures remain in place, the Issuer expects that these tax revenues will be adversely impacted.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer’s finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer’s finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year. For the current fiscal year, the Issuer’s largest source of revenues is property tax revenues. Property tax revenues are due

each year on October 1st and are delinquent after the last day of February of the following year, so all tax year 2019 taxes were required to be paid without any penalty by February 29, 2020. The Issuer has already collected in excess of 94% of its billed property taxes for tax year 2019, which is comparable to prior years. Economic uncertainties resulting from the COVID-19 outbreak may result in delays in collecting the remaining amount of tax year 2019 property taxes outstanding, which is a relatively small portion of the Issuer's revenues, and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

The Issuer's second largest source of revenues is sales and use tax revenues. Such tax revenues are expected to comprise approximately 17% of the Issuer's revenues in the current 2020 fiscal year that ends June 30, 2020. All sales and use tax revenues are collected by the State, and the Issuer does not typically receive notice from the State of the Issuer's share of sales and use taxes collected for approximately 50 days after the close of each month. With respect to sales and use tax revenues for the most recent month for which information is available, the Issuer's local sales and use tax revenues for March 2020 increased 9% from the prior March and April 2020 decreased 9% from the prior April. State shared sales tax increased 3% from the prior March and increased 4% from the prior April. The Issuer has not received any information regarding sales and use tax revenues for any subsequent months.

The Issuer also collects other tax revenues such as hotel-motel tax revenues and business taxes that are expected to be materially affected by business closures and reduced economic activity resulting from the COVID-19 outbreak. Such revenues typically consist of less than 18% of the Issuer's revenues.

The administration for the Issuer has proposed a budget for the 2021 fiscal year commencing July 1, 2020 which anticipates 0% decline in revenues. This projected decline in revenues is primarily due to the effect of the COVID-19 outbreak. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, these projected declines are uncertain and the ultimate amount of revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be significantly less or more than what has been projected in the Issuer's proposed budget. In the proposed budget, the Issuer has proposed certain cost reduction measures that will offset projected revenue reductions due to the COVID-19 outbreak.

The Issuer expects to receive some federal and/or State assistance to offset costs to the Issuer of addressing the COVID-19 outbreak. As this point, the Issuer has not been informed as to the timing or amount of federal or State assistance that may be provided, nor does the Issuer know the scope of expenses that will be payable from such assistance. Therefore, the Issuer cannot provide any assurances to whether the projected decline in tax revenues will be mitigated, in whole or part, by such assistance. The Issuer's proposed budget for the 2021 fiscal year does not include any such assistance as a source of revenue to provide for a balanced budget.

The Issuer's liquidity position remains strong. As of April 30, 2020, the Issuer had in excess of \$1 million in reserves, which is approximately 22% of the Issuer's general fund budget. The Electric System unrestricted net position was \$762,237 at June 30, 2019 and an additional \$1,223,742 restricted for debt service. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

Various types of information regarding employment and income trends within the Issuer and McMinn County are detailed in APPENDIX B. This information was assembled prior to the COVID-19 outbreak and may not be reflective of current financial conditions. For example, unemployment rates throughout the United States, including the City and the County, have increased significantly since the COVID-19 outbreak. Furthermore, APPENDIX B lists the largest employers in the County. The COVID-19 outbreak has affected businesses throughout the United States, including businesses in the County, and many of the employers listed in APPENDIX B have been forced to reduce their employment levels from the levels described in APPENDIX B. Given the fluidity of the current economic environment, the Issuer is not able to provide sufficiently accurate updates to this information.

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 the *Preliminary Official Statement* or this *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.

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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/ Burke Garwood
Mayor

ATTEST:

/s/ Alison Bull
City Recorder

APPENDIX A

LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

August 7, 200

City Commission
City of Etowah, Tennessee
701 Tennessee Avenue
Etowah, TN 37331-1345

**Re: \$2,815,000 General Obligation Refunding Bonds, Series 2020 of the
City of Etowah, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the city of Etowah, Tennessee (the "City"), of \$2,815,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2020 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem 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 the same by independent investigation.

We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material published and distributed in connection with the sale of the Bonds or any other information concerning the financial condition of the City which may have been provided to the purchasers of the Bonds, and we express no opinion relating thereto.

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

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the City for the payment of which the City has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the City without limitation as to rate or amount. Debt service on the Bonds is additionally payable from and secured by the net revenues of the electric

system of the City, including all improvements, extensions and additions thereto, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the electric system of the City and to prior pledges of such net revenues in favor of the City's outstanding electric system obligations, if any.

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in clause (a) above is subject to the condition that the City 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 the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) Tennessee excise taxes on all or a portion of the interest on any 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 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.

4. The Bonds have been designated (or are deemed designated) by the City as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

To the extent constitutionally applicable, the rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Glankler Brown, PLLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Etowah (the “City”) is located in Southeast Tennessee in McMinn County (the “County”). The County is bordered by Meigs County to the west, Roane and Loudon Counties to the north, Monroe County to the east, and Bradley and Polk Counties to the south. The City is located about 52 miles north from Chattanooga and 58 miles south from Knoxville. The City of Athens is the county seat and is the largest city in the County.

GENERAL

According to the 2010 Census, the City of Etowah has a population of 3,490. The County has a population of 52,266 according to the 2010 Census.

Athens was designated a Micropolitan Statistical Area (the “mSA”). The Athens mSA had a population of 52,266 according to the 2010 US Census. The Athens mSA is also part of the Chattanooga-Cleveland-Athens, TN-GA Combined Statistical Area (the “CSA”) of southeast Tennessee and northeast Georgia. According to the 2010 Census, the CSA had a population of 698,157. The CSA includes McMinn, Hamilton, Marion and Sequatchie Counties in Tennessee. The City of Chattanooga is the largest city in the CSA with a population of 167,674 according to the 2010 Census.

Electric, gas, water and sewer service for residents of the City of Etowah is provided by the Etowah Utilities Department (the “Department”), who’s service area consists of Etowah and the surrounding area.

TRANSPORTATION

The City is only 10 miles from I-75 access (located in Athens), and has US Highway 411 and State Highway 30 going through town. Other highways in the County are US 11 and State Highways 39, 305 and 309. Rail transportation is provided by CSX Transportation and Norfolk-Southern Railroad. The nearest port is in Chattanooga on the Hiwassee about 50 miles to the south. McMinn County Airport is the local airport with a 5,500-foot runway. The nearest commercial airports are the McGhee Tyson Airport in Knoxville and the Chattanooga Metro Airport both about 50 miles to the north and south, respectively.

EDUCATION

The *City of Etowah School System* operates a single elementary school with a fall 2018 enrollment of about 368 with about 26 teachers. The *City of Athens School System* operates five elementary-level schools and a junior high school. For the 2018 fall enrollment about 1,573 students attended the Athens School System with about 110 teachers. The *McMinn County School System* operates nine schools total: seven elementary school and two high schools. The System had a fall 2018 enrollment of about 5,390 students with about 349 teachers. The County also has a vocational high school. There are a total of 3 schools within the city limits of Etowah:

two elementary schools, one City operated and one County operated, and one County operated high school.

Source: Tennessee Department of Education.

Cleveland State Community College is a comprehensive two-year community college that operates within the governance of the Tennessee Board of Regents. The college is located in Cleveland, Tennessee, just 30 miles northeast of Chattanooga. The fall of 2018 semester had an enrollment of 3,272 students. The college has offices and classrooms in Athens and Vonore. Cleveland State's service area includes Bradley, Meigs, McMinn, Monroe, and Polk Counties.

Source: Cleveland State Community College and TN Higher Education Commission.

Tennessee Wesleyan College is a private, four-year liberal arts college located in Athens (McMinn County) and is affiliated with the Holston Conference of the United Methodist Church. The College offers baccalaureate programs in fine arts, humanities, natural and social sciences as well as business, nursing, other career-related areas, and teacher certification. The College was founded in 1857 and one of the original buildings on the forty-acre campus is Old College Hall, which is listed on the National Register of Historic Places. Tennessee Wesleyan College enrolls over 850 students. A sister school, Nagasaki Wesleyan, is located in Isahaya, Japan. Each year, several Nagasaki Wesleyan students transfer to TWC to complete their degrees.

Source: Tennessee Wesleyan College.

The Tennessee College of Applied Technology at Athens. The Tennessee College of Applied Technology at Athens (the "TCAT-A") is part of a statewide system of 26 vocational-technical schools. The TCAT-A 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-A serves the southeast region of the state including McMinn, Monroe, Bradley, Meigs, and Polk Counties. The TCAT-A began operations in 1963, and the main campus is located in McMinn County. Fall 2017 enrollment was 779 students.

Source: Tennessee Technology Center at Athens and TN Higher Education Commission.

HEALTHCARE

Starr Regional Medical Center – Starr Regional Medical Center (the "SRMC") is a 190 bed acute care facility in Athens. This facility is part of LifePoint Hospital, Inc. based in Brentwood, Tennessee. LifePoint, after being combined with Riverview Regional Medical Center Healthcare in 2018, has a network of 84 hospital hospitals in 30 states.

Source: LifePoint Hospitals, Inc.

Woods Memorial Hospital, located in Etowah, is an acute care, 72-bed facility. It is a county-owned facility. Services offered by Woods include home health, hospice, a regional dialysis center, a weight management program, an occupational health clinic, birthing center and a better breathing center. Woods also operates the county's ambulance service and a nursing home. There are about 300 full time employees with 75 physicians representing numerous specialties.

Source: Wood Memorial Hospital.

MANUFACTURING AND COMMERCE

There are three industrial parks in the County. Athens/McMinn Interstate Industrial Park is located in Athens and has about 189 acres remaining of the total 350 acreage. North Etowah Industrial Park is located in Etowah and has about 200 acres remaining of the total 600 acreage. Mt. Verd Interchange Industrial Park is located in Athens. The total 223 acreage is available.

Major Employers in McMinn County, Tennessee

<u>Company</u>	<u>Product/Service</u>	<u>Employment</u>
Mayfield Dairy Farms	Dairy Products	1,700
Hackney Home Furnishing	Furniture	1,523
DENSO	Auto Exhaust System	1,000
Calhoun Newprint Co	Paper	900
McMinn County	Government & Education	800
Johnson Controls	Metal Seat Frames	705
Athens Regional Medical Center	Hospital	625
Resolute Forest Products	Paper mil	550
Heil Trailer International	Aluminum Tanker Truck Trailers	500
Waupaca Foundry, INC	Gray, Aluminum Iron Castings	500
Woods Memorial	Hospital	360
Thomas & Betts	Switch Boxes, Outlets	350
Johns Manville	Mat Fiber and Reinforcements	250
Dynasty Spas	Hot Tubs	250
Crescent Hosiery Mills	Hosiery	200
City of Etowah	Government	184
E&E Manufacturing	Metal Stamping and Fasteners	170
Mills Products	Appliance Trim Parts	160
JM Huber	Silica	130

Source: Southeast Industrial Development Association, Times Free Press and the City.

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EMPLOYMENT INFORMATION

Due to the national rise in unemployment due to COVID-19 in the spring of 2020, the rates for the County for April 2020 do not represent the usual unemployment rate. In addition to the current unemployment rates for April 2020, below are also the unemployment rates for March 2020 and April 2019 to show the usual trends.

For the month of April 2020, the unemployment rate for the Athens mSA and McMinn County stood at 17.3% with 20,268 persons employed out of a labor force of 24,495. As of April 2020, the unemployment rate in the Chattanooga-Cleveland-Dalton CSA stood at 14.9%, representing 384,507 persons employed out of a workforce of 451,689.

For the month of March 2020, the unemployment rate for the Athens mSA and McMinn County stood at 4.2% with 23,137 persons employed out of a labor force of 24,142. As of March 2020, the unemployment rate in the Chattanooga-Cleveland-Athens CSA stood at 4.0%, representing 442,683 persons employed out of a workforce of 461,035.

For the month of April 2019, the unemployment rate for the Athens mSA and McMinn County stood at 3.1% with 22,730 persons employed out of a labor force of 23,450. As of April 2019, the unemployment rate in the Chattanooga-Cleveland-Dalton CSA stood at 3.1%, representing 441,650 persons employed out of a workforce of 455,760.

Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
Athens mSA & McMinn County	6.3%	5.4%	4.4%	4.1%	3.8%
Index vs. National	119	110	100	114	97
Index vs. State	113	115	116	117	112
Chattanooga-Cleveland- Athens CSA	5.6%	4.9%	4.0%	3.7%	3.5%
Index vs. National	106	100	91	103	90
Index vs. State	100	104	105	106	103

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

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ECONOMIC DATA

Per Capita Personal Income

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	\$47,058	\$48,978	\$49,870	\$51,885	\$54,446
Tennessee	\$40,801	\$42,593	\$43,726	\$44,950	\$46,900
McMinn County	\$31,925	\$33,135	\$33,722	\$34,645	\$35,897
Index vs. National	68	68	68	67	66
Index vs. State	78	78	77	77	77
Chattanooga-Cleveland-Athens CSA	\$36,597	\$38,296	\$38,998	\$40,231	\$41,769
Index vs. National	78	78	78	78	77
Index vs. State	90	90	89	90	89

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>McMinn County</u>
Median Value Owner Occupied Housing	\$204,900	\$158,600	\$125,300
% High School Graduates or Higher Persons 25 Years Old and Older	87.7%	87.0%	84.8%
% Persons with Income Below Poverty Level	11.8%	15.3%	15.9%
Median Household Income	<u>\$60,293</u>	\$50,972	\$41,398

Source: U.S. Census Bureau State & County QuickFacts - 2018.

RECENT DEVELOPMENTS

DENSO Manufacturing. DENSO created 400 new jobs by expanding to a new \$85 million, 224,000 square foot facility in Athens. The expansion, one of three in the last 18 months by the automotive manufacturer, began production in mid-2016.

Mayfield Dairy. The Mayfield Dairy facility in Athens, owned by Dean Foods, employed 50 new people in 2018 due to an increase in volume.

Source: Chattanooga Times Free Press, Knoxville News Sentinel and WBIR news, Knoxville, TN.

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CITY OF ETOWAH, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	Estimated As of June 30, 2020 (1)	
				OUTSTANDING	
\$ 573,300	(3) Loan Agreement (Rural Development Loan Payable to Englewood, TN)	2039	Fixed	\$	157,209
8,210,000	(3) Local Government Public Improvement Bonds, Series VII-G-1	Jun 2036	Variable /		
177,000	General Obligation Bonds, Series 2012 (Rural Development) (Estimated)	2027	Synthetic	(2)	7,655,000
250,000	Capital Outlay Notes, Series 2012	2021	Fixed		92,708
2,500,000	(3) General Obligation Bonds, Series 2012 (Rural Development)	2050	Fixed		14,247
6,210,000	(3) General Obligation Bonds, Series 2013A	June 2033	Fixed		2,198,911
1,825,000	(3) General Obligation Bonds, Series 2013B (Taxable)	June 2023	Fixed		3,275,000
210,000	General Obligation Bonds, Series 2013 (Rural Development)	2034	Fixed		500,000
75,000	Capital Outlay Notes, Series 2015	2022	Fixed		154,751
46,000	Capital Outlay Notes, Series 2016	2022	Fixed		16,556
87,000	Capital Outlay Notes, Series 2017	2022	Fixed		19,300
600,000	Capital Outlay Notes, Series 2018	2030	Fixed		34,500
406,000	Capital Outlay Notes, Series 2019	2031	Fixed		515,000
1,000,000	G.O. Loan Agreement, Series 2019	Oct. 2039	Variable		379,000
615,183	Leases	2030	Fixed		1,000,000
800,000	General Obligation Loan, Series SRF CWO 12-296	2037	Fixed		558,407
950,000	General Obligation Loan, Series SRF CWO 14-340	2038	Fixed		653,482
300,000	General Obligation Loan, Series SRF CWO 15-347	2038	Fixed		819,331
					265,118
\$ 24,834,483	TOTAL BONDED DEBT			\$	18,308,520
\$ 2,815,000	General Obligation Refunding Bonds, Series 2020	June 2033	Fixed	\$	2,815,000
(6,210,000)	Less: Refunded Debt				(2,975,000)
(14,834,051)	Less: Revenue Supported Debt - Excludes Post Office Lease Revenue Supported Debt				(14,834,051)
\$ 6,605,432	NET BONDED DEBT			\$	3,314,469

NOTES:

- (1) The above figures do not include all short-term notes and leases outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. The schedule does not include the Sewer Department's State Revolving Loan that is currently being drawn down.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) Revenue Supported Debt

CITY OF ETOWAH, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. Property tax information is derived from the City and the Annual Tennessee Tax Aggregate Report.

	Fiscal Year Ended June 30				Unaudited 2020	After Issuance 2020
	2016	2017	2018	2019		
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$ 1,443,067	\$ 1,399,316	\$ 1,809,871	\$ 2,618,858	\$ 3,314,469	\$ 3,314,469
Revenue Bonds	\$ 17,191,499	\$ 17,052,198	\$ 16,577,809	\$ 15,789,478	\$ 15,099,051	\$ 14,834,051
TOTAL TAX SUPPORTED	\$ 18,634,566	\$ 18,451,514	\$ 18,387,680	\$ 18,408,336	\$ 18,413,520	\$ 18,148,520
TOTAL DEBT	\$ 18,634,566	\$ 18,451,514	\$ 18,387,680	\$ 18,408,336	\$ 18,413,520	\$ 18,148,520
Less: Revenue Supported Debt	\$ (17,191,499)	\$ (17,052,198)	\$ (16,577,809)	\$ (15,789,478)	\$ (15,099,051)	\$ (14,834,051)
Less: Debt Service Fund	-	-	-	-	-	-
NET DIRECT DEBT	\$ 1,443,067	\$ 1,399,316	\$ 1,809,871	\$ 2,618,858	\$ 3,314,469	\$ 3,314,469
PROPERTY TAX BASE						
Estimated Actual Value	\$ 254,629,169	\$ 201,528,048	\$ 252,168,889	\$ 238,949,310	\$ 255,460,065	\$ 255,460,065
Appraised Value	\$ 247,219,460	\$ 195,663,582	\$ 244,830,774	\$ 238,949,310	\$ 255,460,065	\$ 255,460,065
Assessed Value	\$ 76,411,107	\$ 61,232,061	\$ 73,417,892	\$ 74,469,122	\$ 79,650,354	\$ 79,650,354

DEBT RATIOS	Fiscal Year Ended June 30				Unaudited 2020	After Issuance 2020
	2016	2017	2018	2019		
TOTAL DEBT to Estimated Actual Value	7.32%	9.16%	7.29%	7.70%	7.21%	7.10%
TOTAL DEBT to Appraised Value	7.54%	9.43%	7.51%	7.70%	7.21%	7.10%
TOTAL DEBT to Assessed Value	24.39%	30.13%	25.05%	24.72%	23.12%	22.79%
NET DIRECT DEBT to Estimated Actual Value	0.57%	0.69%	0.72%	1.10%	1.30%	1.30%
NET DIRECT DEBT to Appraised Value	0.58%	0.72%	0.74%	1.10%	1.30%	1.30%
NET DIRECT DEBT to Assessed Value	1.89%	2.29%	2.47%	3.52%	4.16%	4.16%
PER CAPITA RATIOS						
POPULATION (1)	3,508	3,508	3,508	3,508	3,508	3,508
PER CAPITA PERSONAL INCOME (2)	\$33,722	\$34,645	\$35,897	\$35,084	\$35,084	\$35,084
Estimated Actual Value to POPULATION	72,585	57,448	71,884	68,116	72,822	72,822
Assessed Value to POPULATION	21,782	17,455	20,929	21,228	22,705	22,705
Total Debt to POPULATION	5,312	5,260	5,242	5,248	5,249	5,173
Net Direct Debt to POPULATION	411	399	516	747	945	945
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	15.75%	15.18%	14.60%	14.96%	14.96%	14.75%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.22%	1.15%	1.44%	2.13%	2.69%	2.69%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

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

CITY OF ETOWAH, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General
As of June 30, 2020 - Estimated

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest (2)	TOTAL	
2021	\$ 337,710	\$ 108,130	\$ 445,840	10.19%
2022	246,078	115,134	361,212	
2023	227,967	106,144	334,111	
2024	217,426	100,518	317,944	
2025	221,708	88,997	310,705	37.74%
2026	228,686	80,362	309,048	
2027	240,432	71,461	311,893	
2028	233,676	62,280	295,956	
2029	242,515	53,063	295,578	
2030	254,476	43,510	297,986	73.94%
2031	140,259	33,439	173,698	
2032	100,731	27,699	128,430	
2033	108,219	23,615	131,834	
2034	98,586	19,322	117,908	
2035	97,000	15,348	112,348	90.38%
2036	59,000	11,325	70,325	
2037	62,000	9,230	71,230	
2038	64,000	7,029	71,029	
2039	66,000	4,757	70,757	
2040	68,000	2,414	70,414	100.00%
	<u>\$ 3,314,469</u>	<u>\$ 983,772</u>	<u>\$ 4,298,241</u>	

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets for interest rate and/or basis risk.

CITY OF ETOWAH, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Etowah Utilities Board - Electric System

F.Y. Ended 6/30	As of June 30, 2020 Existing Electric Revenue Supported Debt (1)			Less: Bonds Being Refunded			General Obligation Refunding Bonds, Series 2020			Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL	
2021	\$ 340,000	\$ 93,256	\$ 433,256	\$ (175,000)	\$ (81,375)	\$ (256,375)	\$ -	\$ 60,229	\$ 60,229	\$ 165,000	\$ 72,110	\$ 237,110	4.98%
2022	340,000	86,044	426,044	(175,000)	(77,875)	(252,875)	275,000	73,750	348,750	440,000	81,919	521,919	
2023	370,000	78,188	448,188	(200,000)	(73,938)	(273,938)	275,000	65,500	340,500	445,000	69,750	514,750	
2024	200,000	69,438	269,438	(200,000)	(69,438)	(269,438)	275,000	57,250	332,250	275,000	57,250	332,250	
2025	225,000	64,438	289,438	(225,000)	(64,438)	(289,438)	245,000	49,000	294,000	245,000	49,000	294,000	47.36%
2026	225,000	58,813	283,813	(225,000)	(58,813)	(283,813)	225,000	41,650	266,650	225,000	41,650	266,650	
2027	250,000	52,625	302,625	(250,000)	(52,625)	(302,625)	225,000	34,900	259,900	225,000	34,900	259,900	
2028	250,000	45,750	295,750	(250,000)	(45,750)	(295,750)	225,000	28,150	253,150	225,000	28,150	253,150	
2029	250,000	38,250	288,250	(250,000)	(38,250)	(288,250)	215,000	21,400	236,400	215,000	21,400	236,400	
2030	250,000	30,750	280,750	(250,000)	(30,750)	(280,750)	215,000	17,100	232,100	215,000	17,100	232,100	80.69%
2031	250,000	23,250	273,250	(250,000)	(23,250)	(273,250)	215,000	12,800	227,800	215,000	12,800	227,800	
2032	250,000	15,750	265,750	(250,000)	(15,750)	(265,750)	215,000	8,500	223,500	215,000	8,500	223,500	
2033	275,000	8,250	283,250	(275,000)	(8,250)	(283,250)	210,000	4,200	214,200	210,000	4,200	214,200	100.00%
	<u>\$ 3,475,000</u>	<u>\$ 664,800</u>	<u>\$ 4,139,800</u>	<u>\$ (2,975,000)</u>	<u>\$ (640,500)</u>	<u>\$ (3,615,500)</u>	<u>\$ 2,815,000</u>	<u>\$ 474,429</u>	<u>\$ 3,289,429</u>	<u>\$ 3,315,000</u>	<u>\$ 498,729</u>	<u>\$ 3,813,729</u>	

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon 2.412%.

CITY OF ETOWAH, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Etowah Utilities

Board - Water and Sewer System

As of June 30, 2020 - Estimated

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest (2)	TOTAL	
2021	\$ 372,745	\$ 407,986	\$ 780,731	3.53%
2022	400,147	401,178	801,325	
2023	427,602	386,304	813,906	
2024	455,136	370,320	825,456	
2025	457,751	352,595	810,346	20.02%
2026	485,430	335,006	820,436	
2027	513,200	316,089	829,289	
2028	516,026	296,028	812,054	
2029	543,959	275,512	819,471	
2030	621,973	253,847	875,820	45.42%
2031	650,075	228,342	878,417	
2032	683,267	201,657	884,924	
2033	716,575	173,055	889,630	
2034	744,967	143,014	887,981	
2035	753,462	111,621	865,083	79.04%
2036	812,069	80,003	892,072	
2037	160,529	45,263	205,792	
2038	99,089	41,737	140,826	
2039	79,799	38,477	118,276	
2040	82,535	35,881	118,416	90.74%
2041	85,363	32,998	118,361	
2042	88,290	30,117	118,407	
2043	91,315	27,137	118,452	
2044	94,098	24,121	118,219	
2045	95,962	20,879	116,841	95.05%
2046	99,251	17,641	116,892	
2047	102,653	14,291	116,944	
2048	106,172	10,856	117,028	
2049	109,811	7,243	117,054	
2050	104,800	3,537	108,337	100.00%
	<u>\$ 10,554,051</u>	<u>\$ 4,682,735</u>	<u>\$ 15,236,786</u>	

(1) The above figures do not include short-term notes outstanding, if any. Includes the debt service payable to Englewood, Tennessee for water improvements. For more information, see the notes to the Financial Statements in the CAFR .

(2) The City budgets for interest rate and/or basis risk.

CITY OF ETOWAH, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Etowah Utilities
Board - Gas System
As of June 30, 2020 - Estimated

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% Principal Repaid
	<u>Principal</u>	<u>Interest (2)</u>	<u>TOTAL</u>	
2021	\$ 100,000	\$ 48,250	\$ 148,250	10.36%
2022	100,000	43,250	143,250	20.73%
2023	100,000	38,250	138,250	31.09%
2024	100,000	33,250	133,250	41.45%
2025	125,000	28,250	153,250	54.40%
2026	130,000	22,000	152,000	67.88%
2027	155,000	15,500	170,500	83.94%
2028	155,000	7,750	162,750	100.00%
	<u>\$ 965,000</u>	<u>\$ 236,500</u>	<u>\$ 1,201,500</u>	

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR .

(2) The City budgets for interest rate and/or basis risk.

FINANCIAL INFORMATION

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, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Governmental Funds:</i>					
General	\$1,588,409	\$1,567,568	\$1,812,947	\$1,793,278	\$2,183,662
School Fund	245,662	454,400	665,062	995,572	1,375,432
Other Governmental	<u>165,344</u>	<u>178,308</u>	<u>199,144</u>	<u>284,097</u>	<u>371,131</u>
Total	<u>\$1,999,415</u>	<u>\$2,200,276</u>	<u>\$2,677,153</u>	<u>\$3,072,947</u>	<u>\$3,930,225</u>
<i>Proprietary Fund</i>					
Proprietary Fund	\$33,765,331	\$36,055,384	\$38,278,798	\$40,187,426	\$43,428,033

Source: Comprehensive Annual Financial Report and Auditor's Report, City of Etowah, Tennessee.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Taxes	\$ 1,887,036	\$ 1,926,489	\$ 1,972,109	\$ 1,971,046	\$ 2,181,896
Licenses, Permits, Fines	6,384	3,532	2,723	7,491	14,974
City Court	157,678	123,891	193,243	250,457	295,404
Revenue from Services	256,135	244,098	230,220	217,674	248,142
Intergovernmental	522,347	596,971	729,206	519,411	798,238
Other	76,207	62,312	169,685	59,815	120,081
Total Revenues	<u>\$ 2,905,787</u>	<u>\$ 2,957,293</u>	<u>\$ 3,297,186</u>	<u>\$ 3,025,894</u>	<u>\$ 3,658,735</u>
Expenditures:					
Administration & General Gov't	\$ 814,509	\$ 1,007,962	\$ 1,116,031	\$ 1,241,232	\$ 920,022
Public Safety	1,087,209	1,138,852	1,175,953	1,490,628	1,977,724
Public Services	491,572	394,377	420,787	276,542	558,723
Capital Outlay	-	-	-	-	-
Other Services	551,495	614,380	631,759	734,713	728,119
Debt Service	210,381	203,002	209,548	234,915	331,434
Total Expenditures	<u>\$ 3,155,166</u>	<u>\$ 3,358,573</u>	<u>\$ 3,554,078</u>	<u>\$ 3,978,030</u>	<u>\$ 4,516,022</u>
Excess of Revenues Over (Under) Expenditures	\$ (249,379)	\$ (401,280)	\$ (256,892)	\$ (952,136)	\$ (857,287)
Other Financing Sources (Uses):					
Debt Proceeds	\$ 110,000	\$ -	\$ 133,000	\$ 600,000	\$ 1,072,658
In Lieu of Tax - Etowah UB	478,447	496,253	506,855	529,927	543,712
Transfers In	12,670	27,581	5,811	-	-
Transfers Out	(143,395)	(143,395)	(143,395)	(197,460)	(368,699)
Total	<u>\$ 457,722</u>	<u>\$ 380,439</u>	<u>\$ 502,271</u>	<u>\$ 932,467</u>	<u>\$ 1,247,671</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 208,343	\$ (20,841)	\$ 245,379	\$ (19,669)	\$ 390,384
Fund Balance July 1	\$ 1,380,066	\$ 1,588,409	\$ 1,567,568	\$ 1,812,947	\$ 1,793,278
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30	<u>\$ 1,588,409</u>	<u>\$ 1,567,568</u>	<u>\$ 1,812,947</u>	<u>\$ 1,793,278</u>	<u>\$ 2,183,662</u>

Source: Comprehensive Annual Financial Report for City of Etowah Tennessee.

ETOWAH UTILITIES BOARD
Five Year Summary of Revenues, Expenses and
Changes In Net Assets - Utility Board
For the Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues:					
Sales of Electrical Power:					
Residential Sales	\$ 7,305,934	\$ 7,022,368	\$ 7,231,558	\$ 7,407,906	\$ 7,521,404
Commercial and Industrial Sales	13,086,314	13,342,934	12,442,710	12,487,676	13,380,118
Street and Outdoor Lighting	302,090	301,448	307,749	303,854	321,155
Sales of Gas, Water & Sewer Charges:					
Residential Sales	2,458,310	2,541,268	2,629,313	2,794,724	2,853,884
Commercial and Industrial	7,823,963	6,665,115	7,610,370	7,950,669	8,556,843
Interruptible	619,805	382,268	329,215	493,187	685,548
Other	<u>1,338,326</u>	<u>1,013,556</u>	<u>929,074</u>	<u>935,982</u>	<u>1,328,031</u>
Total Revenues	<u>\$ 32,934,742</u>	<u>\$ 31,268,957</u>	<u>\$ 31,479,989</u>	<u>\$ 32,373,998</u>	<u>\$ 34,646,983</u>
Operating Expenditures:					
Purchased Power	\$ 16,800,036	\$ 16,586,986	\$ 15,963,191	\$ 16,123,128	\$ 16,996,999
Purchased Gas	5,295,859	3,780,533	4,297,018	4,698,148	5,143,709
Distribution and Collection	1,604,455	1,608,226	1,575,399	1,500,068	1,488,961
Customer Accounts	646,791	610,115	614,788	585,296	612,313
Administration and General	1,944,400	2,103,718	2,208,862	2,643,227	2,349,060
Maintenance	1,327,160	1,468,606	1,497,894	1,628,847	1,769,578
Depreciation	2,040,396	2,038,029	2,131,904	2,153,085	2,197,759
Amortization	11,781	11,781	11,781	11,781	11,781
Taxes and Equivalents	<u>478,447</u>	<u>496,253</u>	<u>506,855</u>	<u>529,927</u>	<u>543,712</u>
Total Expenditures	<u>\$ 30,149,325</u>	<u>\$ 28,704,247</u>	<u>\$ 28,807,692</u>	<u>\$ 29,873,507</u>	<u>\$ 31,113,872</u>
Operating Income (Loss)	\$ 2,785,417	\$ 2,564,710	\$ 2,672,297	\$ 2,500,491	\$ 3,533,111
Nonoperating Revenue (Expense):					
Interest Income	\$ 9,836	\$ 19,827	\$ 42,891	\$ 130,949	\$ 270,446
Interest Expense	(545,648)	(552,478)	(568,996)	(571,176)	(585,528)
Other Income (Expense)	<u>1,368</u>	<u>41,525</u>	<u>11,249</u>	<u>800</u>	<u>4,000</u>
Total Revenue (Expense)	<u>\$ (534,444)</u>	<u>\$ (491,126)</u>	<u>\$ (514,856)</u>	<u>\$ (439,427)</u>	<u>\$ (311,082)</u>
Income (Loss) Before Contributions	\$ 2,250,973	\$ 2,073,584	\$ 2,157,441	\$ 2,061,064	\$ 3,222,029
Capital Contributions-Customers	15,003	216,469	65,973	67,172	18,578
Capital Contributions-Grants	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 2,265,976</u>	<u>\$ 2,290,053</u>	<u>\$ 2,223,414</u>	<u>\$ 2,128,236</u>	<u>\$ 3,240,607</u>
Retained Earnings, Begin Year	31,499,355	33,765,331	36,055,384	38,278,798	
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219,608)</u>	
Retained Earnings, End of Year	<u>\$ 33,765,331</u>	<u>\$ 36,055,384</u>	<u>\$ 38,278,798</u>	<u>\$ 40,187,426</u>	
Net Assets, Beginning of Year					\$ 40,187,426
Prior Period Adjustment					<u>-</u>
Net Assets, End of Year					<u><u>\$ 43,428,033</u></u>

Source: Comprehensive Annual Financial Report for City of Etowah, 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 Clerk. 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. 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.

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 of Tennessee, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2019².

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utility Property	\$ 2,032,862	55%	\$ 4,657,187
Commercial/Industrial/Mineral	31,862,120	40%	79,655,300
Personal Tangible Property	17,810,822	30%	59,369,378
Residential, Farm and Open Space	<u>27,944,550</u>	25%	<u>111,778,200</u>
Totals	<u>\$79,650,354</u>		<u>\$255,460,065</u>

Source: 2019 Tax Aggregate Report of Tennessee.

² The tax year coincides with the calendar year, therefore, tax year 2019 is actually fiscal year 2019-2020.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2020 (tax year 2019) is \$79,650,354 compared to \$74,469,122 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$255,460,065 compared to \$238,949,310 for tax year 2018.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2015 through 2019 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ¹	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	as of June 30, 2019 Amount	Pct
2015	\$76,411,107	\$1.35	\$1,032,224	\$ 958,554	92.9%	\$17,531	0.8%
2016	61,232,061	1.35	1,021,129	960,270	94.0%	19,902	1.9%
2017	73,417,892	1.61	1,150,000	1,052,109	91.5%	28,668	5.2%
2018	74,469,122	1.77	1,318,117	1,226,311	93.0%	92,280	7.0%
2019	79,650,354	1.77	1,371,879*	IN PROCESS			

Source: Tax Aggregate Reports of Tennessee and Comprehensive Annual Financial Report of City of Etowah.

¹ The tax year coincides with the calendar year, therefore, tax year 2019 is actually fiscal year 2019-2020.

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Largest Taxpayers. For the fiscal year ending June 30, 2019 (tax year 2018), the ten largest taxpayers in the City are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Paid</u>
1. Waupaca Foundry Inc.	Steel Foundry	\$270,950
2. Athens Regional Med Center	Hospital	84,501
3. CSX Transportation, Inc.	Rail	21,866
4. Southeastern Health Facility	Nursing Home	18,024
5. LAXMI, LLC	Real Estate	16,305
6. Willard Wade	Grocery Store	16,001
7. Consolidated Metco Inc.		29,228
8. Squire Court Ltd	Real Estate	14,464
9. Robert Bedwell (Food City Location)	Grocery Store	12,249
10. Ralph Buckner Funeral Home	Funeral Home	<u>9,253</u>
TOTAL		<u>\$492,841</u>

Source: The City.

Largest Taxpayers. For the fiscal year ending June 30, 2020 (tax year 2019), the ten largest taxpayers in the City are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Paid</u>
1. Waupaca Foundry Inc.	Steel Foundry	\$339,346
2. Athens Regional Med Center	Hospital	94,027
3. CSX Transportation, Inc.	Rail	22,988
4. Southeastern Health Facility	Nursing Home	18,024
5. LAXMI, LLC	Real Estate	16,305
6. Willard Wade	Grocery Store	16,001
7. Consolidated Metco Inc.		28,334
8. Squire Court Ltd	Real Estate	14,464
9. Robert Bedwell (Food City Location)	Grocery Store	12,249
10. Etowah Properties	Funeral Home	<u>8,641</u>
TOTAL		<u>\$570,379</u>

Source: The City.

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PENSION PLAN

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well 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 five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became 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 the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Etowah participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City attached herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS OF CITY OF ETOWAH, TENNESSEE FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Etowah for the fiscal year ended June 30, 2019 which is available upon request from the City.

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019

and

INDEPENDENT AUDITOR'S REPORT

CITY OF ETOWAH, TENNESSEE
 BASIC FINANCIAL STATEMENTS
 WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
 For the Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	1 – 2
List of Principal Officials	3
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	4 – 6
Required Supplementary Information: Management's Discussion and Analysis	7 – 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16 – 17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19 – 20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22 – 23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Statement of Net Position – Proprietary Fund	25 – 26
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund	27
Statement of Cash Flows – Proprietary Fund	28 – 29
Governmental Funds:	
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	30 – 34
General Purpose School Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	35 – 41
Notes to Basic Financial Statements	42 – 100
Required Supplementary Information:	
Schedule of Changes in Total OPEB Liability and Related Ratios:	
City of Etowah	101
City of Etowah Board of Education	102 – 103
Etowah Utilities Board	104
Schedule of Changes in Etowah City Schools' Proportionate Share of Collective OPEB Liability and Related Ratios – Closed Tennessee Plan (TNP)	105 – 106

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

For the Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS (Continued)

<u>FINANCIAL SECTION (Continued)</u>	<u>Page</u>
Required Supplementary Information (Continued):	
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	107
Schedule of the City's Contributions Based on Participation in the Public Employee Pension Plan of TCRS	108
Schedule of Etowah City School System's Proportionate Share of the Net Pension Asset – Teacher Legacy Pension Plan of TCRS	109
Schedule of Etowah City School System's Contributions – Teacher Legacy Pension Plan of TCRS	110
Schedule of Etowah City School System's Proportionate Share of the Net Pension Asset – Teacher Retirement Plan of TCRS	111
Schedule of Etowah City School System's Contributions – Teacher Retirement Plan of TCRS	112
Schedule of Changes in Etowah Utilities Board's Net Pension Liability and Related Ratios	113
Schedule of Etowah Utilities Board Contributions	114
Other Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	115 – 116
Schedule of Expenditures of Noncash Federal Awards	117
Combining Balance Sheet – Nonmajor Governmental Funds	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	119 – 121
Schedule of Long-Term Principal and Interest Requirements by Issue – Governmental Activities	122 – 124
Schedule of Long-Term Principal and Interest Requirements by Issue – Business-Type Activities	125 – 126
Schedule of Changes in Long-Term Debt by Individual Issue	127 – 128
Schedule of Utility Plant:	
Electric Department	129
Gas Department	130
Water Department	131
Sewer Department	132
Schedule of Changes in Property Taxes Receivable	133
Analysis of Tax Rates and Assessments	134
Utility Rate Structure and Number of Customers:	
Electric Department	135 – 136
Gas Department	137
Water Department	138 – 139
Sewer Department	140
 <u>STATISTICAL SECTION</u>	
AWWA Reporting Worksheet	141
AWWA System Attributes and Performance Indicators	142
Miscellaneous Statistical Data	143

CITY OF ETOWAH, TENNESSEE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS (Continued)

<u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	144 – 146
Schedule of Prior Year Findings	147
Corrective Action Plans	148 – 149

INTRODUCTORY SECTION



March 5, 2020

Tina Tuggle
City Manager

Burke Garwood
Mayor

Jim Swayne
Vice Mayor

Gene Keller
Commissioner

Mike Casteel
Commissioner

Max Miller
Commissioner

Board of Mayor and Commissioners
City of Etowah
Etowah, Tennessee 37331

Dear Honorable Mayor and Board of Commissioners:

We are submitting the financial report for the fiscal year ended June 30, 2019. 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, 2019 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 ensuring that an adequate internal control structure is in place to ensure 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 ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Mayor and Commissioners. 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 ETOWAH, TENNESSEE

Tina Tuggle, City Manager

CITY OF ETOWAH, TENNESSEE

List of Principal Officials

June 30, 2019

Board of Mayor and Commissioners

E. Burke Garwood, Mayor
Jim Swayne, Vice Mayor
Mike Casteel, Commissioner
Gene Keller, Commissioner
Max Miller, Commissioner

City Officials

Tina Tuggle, City Manager*
Alison Bull, City Recorder/Finance Director*
E. L. Parker, City Judge
Russell Blair, City Attorney

Board of Education

Dr. Mike Frazier, Director of Schools

School Board Members

Marilyn Miller, Chairwoman
Jessica Goodin, Vice-Chairman
Matthew Nevins
Christie Rhodes
Jeff Williams

Utilities Board Members

E. Burke Garwood, Chairman
Max Miller, Vice-Chairman
Stephanie Aderhold, Recording Secretary
Mike Casteel
Gene Keller
Jim Swayne

Utilities Officials

Harold Masengil, Utility General Manager
April Preston, Financial Superintendent
Ronnie Camp, Electric Superintendent
Tony Smith, Gas Superintendent
Mike Cheek, Water/Wastewater Superintendent

*Certified Municipal Finance Officer

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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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 Commissioners
City of Etowah, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the major funds of the City of Etowah, Tennessee, as of and for the year ended June 30, 2019, 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 Etowah, Tennessee as of June 30, 2019, 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.

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 15 and the required supplementary information on pages 101 through 114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

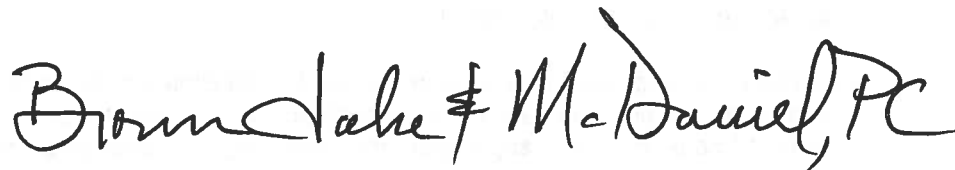
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Etowah, Tennessee's basic financial statements. The introductory section, other supplementary information, including the combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal and State Awards, the statistical schedules and the corrective action plans are presented for purposes of additional analysis and are not required parts 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, the statistical section and the corrective action plans 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 5, 2020, on our consideration of the City of Etowah, 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 internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Etowah, Tennessee's internal control over financial reporting and compliance.

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

Knoxville, Tennessee
March 5, 2020

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

Our discussion and analysis of the City of Etowah's (the "City") financial performance provides an overview of the City's financial activities for the year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The net position of our business-type activities increased by \$3.2 million, or 8.1 percent.
- The net position of our governmental activities increased by approximately \$0.8 million, or 13.4 percent due to a slight increase in revenues during the current year while expenses increased 2.5 percent from the prior year.
- Operating revenues of the City's business-type activities increased 7.0 percent while operating expenses increased 4.2 percent primarily due to colder weather increasing customer electric and gas usage for FY 2019.
- The City's general fund balance increased by \$390 thousand, or 21.8 percent even as the City invested more funds in capital assets.
- The City increased its investment in governmental capital assets net of accumulated depreciation by \$641 thousand, or 12.2 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (pages 16 through 18) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 19. For governmental activities, these statements tell how these services were financed in the short term as well as what is available for future spending.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 16. One of the most important questions asked about the City's finances is "is the City's financial position as a whole better or worse as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps 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. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. You can think of the City's net position, the difference between assets (what the citizens own) and liabilities (what the citizens owe), as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, sales tax base, and the condition of the City's capital assets (roads, buildings, and water and sewer lines) to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two types of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, education and general administration. Sales taxes, property taxes, state shared revenue and state and federal grants finance most of these activities.
- **Business-type activities:** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, gas, water, and sewer systems are reported here.

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

The following is a condensed summary of the City's statements of net position:

Table 1
Net Position

	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>	
<u>ASSETS</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 6,785,264	\$ 5,664,785	\$ 22,335,938	\$ 19,585,401
Capital assets	<u>5,884,374</u>	<u>5,243,558</u>	<u>44,271,676</u>	<u>44,970,603</u>
Total assets	<u>\$ 12,669,638</u>	<u>\$ 10,908,343</u>	<u>\$ 66,607,614</u>	<u>\$ 64,556,004</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Unamortized debt cost	\$ -	\$ -	\$ 141,642	\$ 153,424
Accumulated decrease in fair value of hedging derivatives	-	-	1,448,366	1,204,691
Differences between expected and actual pension plan actuarial experience	28,091	8,170	342,731	298,888
Change of proportionate share of net pension liability	17,267	23,857	-	-
Change in proportionate share of net OPEB	8,941	-	-	-
Change in assumptions - pensions	135,861	182,302	291,841	347,537
Change in assumptions - OPEB	4,304	-	-	-
Pension contributions made after the net pension liability measurement date	207,927	193,418	672,000	624,000
Benefit payment made subsequent to liability measurement date - OPEB	7,445	6,405	-	-
Differences between projected and actual earnings on pension plan investments	-	17,572	-	70,659
Total deferred outflows of resources	<u>\$ 409,836</u>	<u>\$ 431,724</u>	<u>\$ 2,896,580</u>	<u>\$ 2,699,199</u>
<u>LIABILITIES</u>				
Long-term liabilities	\$ 2,919,179	\$ 2,678,744	\$ 19,425,707	\$ 16,994,342
Other liabilities	<u>661,831</u>	<u>514,264</u>	<u>5,929,351</u>	<u>9,580,800</u>
Total liabilities	<u>\$ 3,581,010</u>	<u>\$ 3,193,008</u>	<u>\$ 25,355,058</u>	<u>\$ 26,575,142</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes	\$ 1,807,330	\$ 1,352,915	\$ -	\$ -
Deferred revenue	7,246	-	-	-
Change in proportionate share of net pension liability	-	-	-	-
Differences between expected and actual pension plan actuarial experience	408,825	456,999	66,764	75,675
Differences between expected and actual earnings on OPEB investments	65,916	-	-	-
Differences between expected and actual earnings on pension investments	29,944	-	73,326	-
Change in assumption - pension	-	-	577,561	412,497
Change in assumption - OPEB	<u>9,223</u>	<u>9,646</u>	<u>3,452</u>	<u>4,463</u>
Total deferred inflows of resources	<u>\$ 2,328,484</u>	<u>\$ 1,819,560</u>	<u>\$ 721,103</u>	<u>\$ 492,635</u>
<u>NET POSITION</u>				
Net investment in capital assets	\$ 3,035,691	\$ 3,014,417	\$ 28,482,198	\$ 28,392,794
Restricted	2,041,036	1,330,165	3,052,586	3,302,302
Unrestricted	<u>2,093,253</u>	<u>1,979,917</u>	<u>11,893,249</u>	<u>8,492,330</u>
Total net position	<u>\$ 7,169,980</u>	<u>\$ 6,324,499</u>	<u>\$ 43,428,033</u>	<u>\$ 40,187,426</u>

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

The following is a condensed summary of the City's change in net position:

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

	Governmental-Type Activities		Business-Type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:				
Program revenues:				
Charges for services	\$ 860,752	\$ 767,204	\$ 34,646,983	\$ 32,373,998
Operating grants and contributions	3,399,487	3,169,886	-	-
Capital grants and contributions	44,908	-	18,578	67,172
General revenues:				
Taxes:				
Sales taxes	1,115,436	1,059,175	-	-
Property taxes	1,747,367	1,538,800	-	-
In-lieu of tax	111,778	100,765	-	-
Business taxes	43,842	52,751	-	-
Beer tax	161,008	151,547	-	-
Liquor taxes	51,747	57,019	-	-
Income tax	5,498	12,241	-	-
Gas taxes	129,494	124,056	-	-
Excise taxes	21,839	18,075	-	-
Hotel/Motel tax	32,411	29,009	-	-
Other taxes	63,898	61,167	-	-
Pension expense	(16,880)	-	-	-
OPEB income	8,951	10,453	-	-
Interest earned	3,553	1,793	270,446	130,949
Miscellaneous	(32,812)	23,120	-	-
Insurance recoveries	12,111	9,420	-	-
Gain on sale of capital assets	-	-	4,000	-
Gain on investment derivatives	-	-	-	800
SRT investment income	301	-	-	-
Total revenues	<u>7,764,689</u>	<u>7,186,481</u>	<u>34,940,007</u>	<u>32,572,919</u>
Program expenses:				
General government	1,068,709	470,169	-	-
Public safety	1,345,354	1,546,433	-	-
Public works	532,313	422,273	-	-
Drug enforcement	5,340	18,237	-	-
State street aid	-	140,293	-	-
Sanitation	326,221	323,466	-	-
Culture and recreation	749,668	852,347	-	-
Economic development	-	-	-	-
Gem Theatre	-	-	-	-
Education	3,430,915	3,466,988	-	-
Utilities	-	-	31,155,688	29,914,756
Interest and fiscal charges	4,400	43,231	-	-
Total expenses	<u>7,462,920</u>	<u>7,283,437</u>	<u>31,155,688</u>	<u>29,914,756</u>
Change in net position - before transfers	301,769	(96,956)	3,784,319	2,658,163
Transfers	<u>543,712</u>	<u>529,927</u>	<u>(543,712)</u>	<u>(529,927)</u>
Change in net position	<u>845,481</u>	<u>432,971</u>	<u>3,240,607</u>	<u>2,128,236</u>
Net position - beginning, as previously stated	6,324,499	5,944,003	40,187,426	38,278,798
Cumulative effect of change in accounting principle	-	(219,741)	-	(219,608)
Prior period adjustment for correction of an error	-	167,266	-	-
Net position - beginning, as restated	<u>6,324,499</u>	<u>5,891,528</u>	<u>40,187,426</u>	<u>38,059,190</u>
Net position, ending	<u>\$ 7,169,980</u>	<u>\$ 6,324,499</u>	<u>\$ 43,428,033</u>	<u>\$ 40,187,426</u>

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements begin on page 19 and provide detailed information about the most significant funds (major funds) - not the City as a whole. Some funds are required to be established by state law. However, the Board of Commissioners establishes other funds to help it control and manage money for particular purposes (ex. Gem Theatre Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (ex. School Fund). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the City's basic services 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. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 21 and 24.

Proprietary funds: when the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42 through 100 of this report.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

The City's *combined* net position increased 8.8 percent over a year ago. Looking at the net position and net expenses of governmental and business-type activities separately, however, two distinct differences emerge. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The net position of the City's governmental activities increased by 13.4 percent during the current fiscal year when compared with the prior year's net position amount. This change is due to the increase in current year revenues, the effect of change in the accounting principle the City adopted for accounting for its OPEB Plans in the prior year and other operating expenses remaining up slightly overall during fiscal year 2019.

The net position of the governmental activities is comprised of net investment in capital assets, restricted and unrestricted net position. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

Business-type activities net position increased by 8.1 percent in 2019. Each of the utility departments had increases in net position. The electric and gas departments had the largest increases, which were 9.0 percent for the electric department and 10.9 percent for the gas department.

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

In addition to net investment in capital assets and unrestricted net position, business-type activity net position also includes \$3.1 million that is restricted for debt. The City can only use its unrestricted net position to finance the continuing operations of the electric, gas, water and sewer operations.

Governmental Activities

The following table compares governmental activities program expenses for the last two years.

Table 3

	<u>Total Cost of Services 2019</u>	<u>Net Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>
General government	\$ 1,068,709	\$ 848,409	\$ 470,169	\$ 330,165
Public safety	1,345,354	706,186	1,546,433	1,172,113
Public works	532,313	516,559	422,273	416,023
Drug enforcement	5,340	(2,065)	18,237	(1,079)
State street aid	-	-	140,293	140,293
Sanitation	326,221	(477)	323,466	(17,003)
Culture and recreation	749,668	589,595	852,347	720,908
Economic development	-	-	-	-
Gem Theatre	-	(3,178)	-	-
Education	3,430,915	498,344	3,466,988	541,696
Interest and fiscal charges	<u>4,400</u>	<u>4,400</u>	<u>43,231</u>	<u>43,231</u>
	<u>\$ 7,462,920</u>	<u>\$ 3,157,773</u>	<u>\$ 7,283,437</u>	<u>\$ 3,346,347</u>

Business-Type Activities

The operating revenues of the City's business-type activities increased by 7.0 percent in 2019 and the operating and other expenses increased by 4.1 percent in 2019. Etowah Utilities is a full-service utility with electric, gas, water and sewer departments. The increase in revenues and the increase in expenses during the current year were caused primarily by a colder winter heating season and higher average gas commodity prices which affected the gas system's gross revenue generation.

Electric Department

The electric department had a 4.9 percent increase in operating revenues for the year. The operating year's results were slightly lower than the prior year because of the sales increases being outpaced by increases in expenses excluding power costs.

Gas Department

The gas department pricing is more volatile than the electric department. Gas rates are adjusted monthly by the Utilities Board based on the current market price. To offset part of this volatility, the gas department purchases storage gas. During the current year, the gas department's operating revenues increased by 12.1 percent. The cost of purchased gas is the largest expense. After adjusting for the cost of the gas, the margin on sales was 31.0 percent, as compared to 29.3 percent last year. The gas department sold 5.8 percent less gas from all sectors than what was sold the prior year. Gas commodity costs were higher than the prior year, however; due to the majority of these increased sales occurring to industrial customers at lower customer rates the earnings increases were not as high as one would expect.

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

Water Department

The water department had an increase in operating revenues of \$181 thousand during the current year. The department had modest customer growth, but did have a customer usage rate increase during the fiscal year.

This year, the water department had a decrease in operating expenditures of 1.4 percent. The largest increase in operating expenditures is reflected in the maintenance expenses and this increase was offset by decreases in administrative and general expenses.

Sewer Department

The sewer department had an increase of \$261 thousand in operating revenues for the current year. The change in revenue is due to an increase in customer rates in the current year and modest customer growth.

The sewer department operating expenses increased this year by 8.7 percent. The largest increase in operating expenditures is reflected in the maintenance expense for system collection lines.

THE CITY'S FUNDS

Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City of Etowah's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a measure of a government's net resources available for spending at the end of the fiscal year.

City General Fund

At the end of the current fiscal year, the City's general fund reported an ending fund balance of \$2,183,662, an increase of \$390,384 in comparison with the prior year. A large portion of this total amount (\$876,289) represents unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to use for capital projects (\$627,536), for prepaid expenses (\$23,361), for debt service (\$311,186), and for the police department (\$20,193).

The general fund is the chief operating fund for the City of Etowah. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 19.4 percent of total general fund expenditures.

At the end of the current fiscal year, the Etowah City School reported a fund balance of \$1,375,432 in its General Purpose School Fund. This is a \$379,860 increase over the prior year. The majority of the fund balance of \$1,375,432 represents the school's unreserved fund balance. When considering the school's liquidity, the unreserved fund balance represents 46.8 percent of the total school expenditures.

Etowah City School Fund

Unlike many city school systems in the State of Tennessee, the Etowah City School System is considered to be a fund of the City rather than a component unit because it does not have its own charter. Therefore, it has no legal existence separate from the City.

Revenues of the Etowah City School were up 1.1 percent while expenditures increased 3.0 percent.

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

Etowah City School's revenue increased by a total of \$34 thousand. This is largely a reflection of the following items:

- Local county tax and intergovernmental revenues were up slightly.
- State education funds and other pass-through funds were stable.

Etowah City School expenditures increased by \$84 thousand.

Proprietary Funds. The City of Etowah's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All of the Utilities departments reflected positive income from operations for the year ending June 30, 2019.

The electric department showed a 9.0 percent increase in net position in the current year. The investment in capital assets for the electric department comprised 87 percent of the total net position with its unrestricted net position appearing as a positive \$762.2 thousand. Over the last few years the department has had a constant demand for new capital assets. While these new additions have positioned the department to better serve our customers, it has led to more of the department's net position being invested in capital assets rather than being available for normal operating needs. The electric department has been steadily improving the measure the last three years.

The gas department showed a 10.9 percent increase in net position for the year. The percent of net position invested in capital assets, net of related debt, is 32.8 percent as of June 30, 2019.

The water department net position increased by 5.5 percent in the current fiscal year. The water department has also made major capital improvements over the last few years, with investment in capital assets representing 63.0 percent of the total net position of the department. The strain of supporting the payments on the debt used to acquire the capital assets continues to place a financial burden on the water department, but the financial performance has been improving.

The sewer department showed a 6.1 percent increase in net position for the current year. The investment in capital assets for the sewer department comprised 69.9 percent of the total net position. The sewer department has been involved in major improvement projects in the last several years that will cause increases in expenses related to depreciation and loan interest expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Commission made one revision to the budget. This amendment was made as normal fluctuations occur during the year in operations. The second category of amendments would reflect amendments made for new projects or occurrences about which no knowledge existed when the final budget was passed. This type of amendment did not occur in 2019.

The City's policy is to be very conservative in budgeting its revenues. It is always easier to recognize an unexpected increase in revenues than to be faced with revenue shortfalls that were counted upon to balance the budget.

Budgeting will never be an exact science. All budgeting can do is provide a guide for the future based on the past with unexpected transactions creating variances.

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2019, the City had \$50.16 million invested in a broad range of capital assets (net of accumulated depreciation), including police and fire equipment, buildings, park facilities, roads, bridges and electric, gas, water and sewer lines. The investment in capital assets decreased 0.1 percent for the current fiscal year.

Table 4
Capital Assets (Net of Depreciation) at June 30

	Governmental-Type Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 901,960	\$ 808,103	\$ 334,583	\$ 334,583	\$ 1,236,543	\$ 1,142,686
Construction work in progress	216,620	216,620	463,581	233,328	680,201	449,948
Buildings and improvements	2,382,834	2,442,074	-	-	2,382,834	2,442,074
Vehicles and equipment	1,535,698	853,909	-	-	1,535,698	853,909
Infrastructure	847,262	922,852	-	-	847,262	922,852
Utility distribution plant	-	-	42,564,288	43,456,738	42,564,288	43,456,738
Utility general plant	-	-	909,224	945,954	909,224	945,954
	<u>\$ 5,884,374</u>	<u>\$ 5,243,558</u>	<u>\$44,271,676</u>	<u>\$44,970,603</u>	<u>\$50,156,050</u>	<u>\$50,214,161</u>

Governmental Activities. Total net capital assets at year-end were \$5.88 million.

Business-Type Activities. Total net capital assets at year-end were \$44.27 million.

Additional information on the City of Etowah's capital assets can be found in Note 3 of the notes to financial statements.

DEBT

At year-end, the City had \$18.64 million in debt outstanding versus \$18.62 million last year, an increase of 0.1 percent.

	Governmental-Type Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds (backed by the City)	\$ 893,202	\$ 1,003,247	\$11,550,000	\$12,195,000	\$12,443,202	\$13,198,247
Notes payable	1,725,656	806,624	4,239,478	4,382,809	5,965,134	5,189,433
Commitments	<u>229,825</u>	<u>229,825</u>	<u>-</u>	<u>-</u>	<u>229,825</u>	<u>229,825</u>
	<u>\$ 2,848,683</u>	<u>\$ 2,039,696</u>	<u>\$15,789,478</u>	<u>\$16,577,809</u>	<u>\$18,638,161</u>	<u>\$18,617,505</u>

CITY OF ETOWAH, TENNESSEE
Management's Discussion and Analysis
June 30, 2019

The State of Tennessee does not impose debt limits on the municipalities within the state. Therefore, the City has no set limits regulating the amount of outstanding debt at any one time. Additional information on the City of Etowah's long-term debt can be found in Note 4 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Etowah experienced moderate economic growth in FY 2019. The retail economic activity increases, upgraded utility infrastructure, and an improved real estate market account for much of this growth. We expect similar growth for FY 2020. Property tax dollars collected reached new highs for 2019. There is no property tax rate increase expected for FY 2020 although we expect to see another 2 percent increase in dollars collected. Interest in Etowah's Historic Downtown has continued to increase and we expect to see business in that district continue to increase.

HIGHLIGHTS:

Etowah realized revenue gains in most of its line items, most notably the following:

Property Tax Revenues increased approximately \$208,567 or 13.6 percent

City Court Revenues increased approximately \$55,119 or 29.0 percent

Sales Tax Revenue (Local Option and State Shared) increased approximately \$56,261 or 5.3 percent. We will see an additional increase in the 2020 fiscal year due to a 0.75 increase in the local sales tax rate by McMinn County.

The City was awarded several federal and state pass-through grants for tourism, fire safety equipment, police equipment, depot improvements, library building improvements and an outdoor covered stage venue at the historic City depot. We expect to complete several of these projects in FY 2020 as well as apply for and receive additional grant funds.

The new Etowah City Hall will be complete in March 2020 and will add value and an anchor for the historic downtown location.

TDOT finished their work adding an additional 2 lanes to Hwy 30 so that Etowah now has 4-lane highway access to/from Interstate 75.

The City's North Etowah Industrial Park continues to be presented on project applications in McMinn County in FY 2019 and FY 2020. The City is currently working on development of the South Industrial park and the rezoning for residential housing.

Conservative financial and operational management led to five straight years, FY 2011 to FY 2015, of adding surplus dollars into the General Fund; the City surplus declined slightly in FY 2016, achieved another year of positive growth in 2017 and had a slight decline in FY 2018. We have had positive results in FY 2019 and expect this to continue in FY 2020.

The City continued to work for the 8th year on the blighted housing situation, from enhanced code enforcement to slum clearance. These efforts, along with a healthier economy, have caused Etowah's real estate market to flourish with existing home sales, new home construction, and professional rehabilitation of dilapidated rental homes for sale to homeowners. The City expects to see additional growth in assessed values as the housing market continues to improve.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the 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 financial information, contact Etowah City Hall at 415 N. Tennessee Avenue, Etowah, Tennessee, 37331, until we move mid-spring 2020 to our new permanent location of 701 Tennessee Avenue, Etowah, Tennessee, 37331.

CITY OF ETOWAH, TENNESSEE

Statement of Net Position

June 30, 2019

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,049,748	\$ 15,214,327	\$ 16,264,075
Receivables:			
Property taxes	176,567	-	176,567
Customers (net of allowance for doubtful accounts of \$392,580)	-	1,981,515	1,981,515
Unbilled revenue	-	1,315,003	1,315,003
Unbilled property taxes	1,371,879	-	1,371,879
Due from governmental units	156,738	-	156,738
Other	40,340	74,704	115,044
Internal balances	53,881	(53,881)	-
Prepaid expenses	23,361	-	23,361
Inventories	-	635,203	635,203
Total current assets	2,872,514	19,166,871	22,039,385
Restricted assets:			
Cash and cash equivalents	2,879,325	3,052,586	5,931,911
SRT investments	5,966	-	5,966
Receivables:			
Due from governmental units	452,355	-	452,355
Investment in capital lease	221,674	-	221,674
Inventories	21,964	-	21,964
Other assets	-	8,441	8,441
Total restricted assets	3,581,284	3,061,027	6,642,311
Capital assets:			
Land	901,960	334,583	1,236,543
Depreciable capital assets	12,716,535	72,652,876	85,369,411
	13,618,495	72,987,459	86,605,954
Less: Accumulated depreciation	7,950,741	29,179,364	37,130,105
	5,667,754	43,808,095	49,475,849
Construction work in progress	216,620	463,581	680,201
Total capital assets	5,884,374	44,271,676	50,156,050
Other non-current assets:			
Pension asset	331,466	-	331,466
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	108,040	108,040
Total other non-current assets	331,466	108,040	439,506
Total assets	12,669,638	66,607,614	79,277,252
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized debt cost	-	141,642	141,642
Accumulated decrease in fair value of hedging derivatives	-	1,448,366	1,448,366
Differences between expected and actual pension plan actuarial experience	28,091	342,731	370,822
Change in proportionate share of net pension liability	17,267	-	17,267
Change in proportionate share of net OPEB	8,941	-	8,941
Change in assumptions - pensions	135,861	291,841	427,702
Change in assumptions - OPEB	4,304	-	4,304
Pension contributions made after the net pension liability measurement date	207,927	672,000	879,927
Benefit payment made subsequent to measurement date - OPEB	7,445	-	7,445
Total deferred outflows of resources	409,836	2,896,580	3,306,416

(Continued)

CITY OF ETOWAH, TENNESSEE

Statement of Net Position
(Continued)

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 66,531	\$ 3,811,471	\$ 3,878,002
Accrued liabilities	80	1,179,922	1,180,002
Other current liabilities	773	-	773
Customer deposits	-	142,531	142,531
Long-term liabilities:			
Due within one year	304,389	795,427	1,099,816
Due to other governments	1,681	-	1,681
Total liabilities (payable from current assets)	373,454	5,929,351	6,302,805
Current liabilities (payable from restricted assets):			
Accounts payable	6,438	-	6,438
Accrued liabilities	247,190	-	247,190
Grant fund received in advance	8,000	-	8,000
Funds held in trust	26,749	-	26,749
Total liabilities (payable from restricted assets)	288,377	-	288,377
Long-term liabilities:			
Due in more than one year	2,544,294	14,994,051	17,538,345
Compensated absences	94,150	-	94,150
Derivative instrument - interest rate swap	-	1,448,366	1,448,366
Total long-term liabilities	2,638,444	16,442,417	19,080,861
Other non-current liabilities:			
Advances from Tennessee Valley Authority	-	107,956	107,956
Residential Energy Services Program	-	2,875,334	2,875,334
Net pension liability	-	-	-
Net OPEB liability	280,735	-	280,735
Total other non-current liabilities	280,735	2,983,290	3,264,025
Total liabilities	3,581,010	25,355,058	28,936,068
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	1,807,330	-	1,807,330
Deferred revenue	7,246	-	7,246
Change in proportionate share of net pension liability	-	-	-
Change in assumptions - pension	-	577,561	577,561
Change in assumptions - OPEB	9,223	3,452	12,675
Differences between expected and actual pension plan actuarial experience	408,825	66,764	475,589
Differences between expected and actual earnings on OPEB investments	65,916	-	65,916
Differences between expected and actual earnings on pension investments	29,944	73,326	103,270
Total deferred inflows of resources	2,328,484	721,103	3,049,587
<u>NET POSITION</u>			
Net investment in capital assets	3,035,691	28,482,198	31,517,889
Restricted:			
Pension asset	331,466	-	331,466
Debt service	-	3,052,586	3,052,586
Drug enforcement	40,120	-	40,120
Federal projects	122	-	122
Food service	97,017	-	97,017
Schools	1,375,432	-	1,375,432
Sanitation	111,973	-	111,973
State street aid	84,906	-	84,906
Unrestricted	2,093,253	11,893,249	13,986,502
Total net position	\$ 7,169,980	\$ 43,428,033	\$ 50,598,013

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

CITY OF ETOWAH, TENNESSEE

Statement of Activities

For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 1,068,709	\$ 58,022	\$ 162,278	\$ -	\$ (848,409)	\$ -	\$ (848,409)
Public safety	1,345,354	297,235	341,933	-	(706,186)	-	(706,186)
Public works	532,313	15,754	-	-	(516,559)	-	(516,559)
Drug enforcement	5,340	7,405	-	-	2,065	-	2,065
State street aid	-	-	-	-	-	-	-
Sanitation	326,221	326,698	-	-	477	-	477
Parks and recreation	749,668	134,206	25,867	-	(589,595)	-	(589,595)
Economic development	-	-	-	-	-	-	-
Gem theatre	-	3,178	-	-	3,178	-	3,178
Education	3,430,915	18,254	2,869,409	44,908	(498,344)	-	(498,344)
Debt service	-	-	-	-	-	-	-
Interest and fiscal charges	4,400	-	-	-	(4,400)	-	(4,400)
Total governmental activities	7,462,920	860,752	3,399,487	44,908	(3,157,773)	-	(3,157,773)
Business-type activities:							
Etowah Utilities Board	31,155,688	34,646,983	-	18,578	-	3,509,873	3,509,873
Total business-type activities	31,155,688	34,646,983	-	18,578	-	3,509,873	3,509,873
Total primary government	\$ 38,618,608	\$ 35,507,735	\$ 3,399,487	\$ 63,486	(3,157,773)	3,509,873	352,100
General revenues:							
Taxes:							
Sales taxes					1,115,436	-	1,115,436
Property taxes					1,747,367	-	1,747,367
In-lieu of tax					111,778	-	111,778
Business taxes					43,842	-	43,842
Beer tax					161,008	-	161,008
Liquor taxes					51,747	-	51,747
Income tax					5,498	-	5,498
Gas taxes					129,494	-	129,494
Excise taxes					21,839	-	21,839
Hotel/Motel tax					32,411	-	32,411
Other taxes					63,898	-	63,898
Pension expense					(16,880)	-	(16,880)
OPEB income					8,951	-	8,951
Interest earned					3,553	270,446	273,999
Miscellaneous					(32,812)	-	(32,812)
Insurance recoveries					12,111	-	12,111
Gain on sale of capital assets					-	4,000	4,000
In-lieu of tax - enterprise fund transfers					543,712	(543,712)	-
SRT investment income					301	-	301
Total general revenues and transfers					4,003,254	(269,266)	3,733,988
Change in net position					845,481	3,240,607	4,086,088
Net position - beginning					6,324,499	40,187,426	46,511,925
Net position - ending					\$ 7,169,980	\$ 43,428,033	\$ 50,598,013

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

CITY OF ETOWAH, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2019
(With Comparative Totals for June 30, 2018)

ASSETS	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2019	2018
Cash and cash equivalents	\$ 1,012,755	\$ -	\$ 36,993	\$ 1,049,748	\$ 1,564,936
Receivables:					
Property taxes	176,567	-	-	176,567	201,869
Unbilled property taxes	1,371,879	-	-	1,371,879	1,285,000
Due from governmental units	156,738	-	-	156,738	295,423
Due from other funds	70,890	-	-	70,890	129,612
Lease receivable	221,674	-	-	221,674	298,880
Other	40,340	-	-	40,340	79,210
Restricted assets:					
Cash and cash equivalents	979,162	1,557,309	342,854	2,879,325	1,205,711
SRT investments	-	5,966	-	5,966	-
Receivables:					
Due from governmental units	-	440,969	11,386	452,355	564,281
Due from other funds	-	21,216	83,549	104,765	49,183
Inventories	-	-	21,964	21,964	15,446
Prepaid expenses	23,361	-	-	23,361	26,056
Total assets	\$ 4,053,366	\$ 2,025,460	\$ 496,746	\$ 6,575,572	\$ 5,715,607
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities (payable from current assets):					
Accounts payable	\$ 66,531	\$ -	\$ -	\$ 66,531	\$ 39,059
Customer Deposits	773	-	-	773	92
Accrued liabilities	80	-	-	80	125
Due to other funds	22,423	-	-	22,423	130,500
Due to other governments	1,681	-	-	1,681	1,681
Liabilities (payable from restricted assets):					
Accounts payable	-	-	6,438	6,438	2,390
Accrued liabilities	-	227,583	19,607	247,190	236,711
Due to other funds	-	7,245	92,106	99,351	21,216
Grant revenue received in advance	-	8,000	-	8,000	-
Funds held in trust	26,530	-	219	26,749	22,010
Total liabilities	118,018	242,828	118,370	479,216	453,784

(Continued)

CITY OF ETOWAH, TENNESSEE

Balance Sheet - Governmental Funds
(Continued)

June 30, 2019
(With Comparative Totals for June 30, 2018)

<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> <u>(CONTINUED)</u>	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2019	2018
Deferred inflows of resources:					
Property taxes	\$ 1,530,012	\$ 407,200	\$ -	\$ 1,937,212	\$ 1,889,996
Lease receivable - unrecognized	221,674	-	-	221,674	298,880
Other	-	-	7,245	7,245	-
Total deferred inflows of resources	1,751,686	407,200	7,245	2,166,131	2,188,876
Fund balances:					
Nonspendable:					
Inventories - Cafeteria fund	-	-	21,964	21,964	15,446
Prepaid expenses	23,361	-	-	23,361	26,056
Restricted:					
Contributed funds	325,097	-	-	325,097	-
Federal projects fund	-	-	122	122	122
Cafeteria fund	-	-	75,053	75,053	63,501
Drug enforcement fund	-	-	40,120	40,120	36,047
General purpose school fund	-	1,330,649	-	1,330,649	951,853
General purpose school fund - BEP	-	43,443	-	43,443	43,443
General purpose school fund - Career Ladder	-	1,340	-	1,340	276
State street aid	-	-	84,906	84,906	21,446
Sanitation fund	-	-	111,973	111,973	100,168
Assigned:					
Capital projects	627,536	-	-	627,536	-
Debt service	311,186	-	-	311,186	311,186
Gem theatre fund	-	-	1,195	1,195	1,194
Police department	20,193	-	-	20,193	22,180
Economic development fund	-	-	35,798	35,798	46,173
Unassigned	876,289	-	-	876,289	1,433,856
Total fund balances	2,183,662	1,375,432	371,131	3,930,225	3,072,947
Total liabilities, deferred inflows of resources and fund balances	\$ 4,053,366	\$ 2,025,460	\$ 496,746	\$ 6,575,572	\$ 5,715,607

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

CITY OF ETOWAH, TENNESSEE

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

June 30, 2019

Total fund balances--governmental funds		\$ 3,930,225
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 \$13,835,115, and the accumulated depreciation is (\$7,950,741).		5,884,374
Pension activity not reported on the fund statements:		
Net pension asset	\$ 331,466	
Net OPEB liability	(280,735)	
Deferred outflows -		
Pension contributions made after the net pension liability measurement date	207,927	
Differences between expected and actual pension plan actuarial experience	28,091	
Change in proportionate share of net pension liability	17,267	
Change in assumptions of net pension liability	135,861	
Benefit payment subsequent to measurement date - OPEB	7,445	
Change in assumptions of net OPEB liability	4,304	
Change in proportion of net OPEB liability	8,941	
Deferred inflows -		
Differences between expected and actual pension plan actuarial experience	(408,825)	
Differences between expected and actual earnings on OPEB investments	(65,916)	
Change in assumptions of OPEB liability	(9,223)	
Differences between expected and actual earnings on pension plan investments	<u>(29,944)</u>	(53,341)
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	(2,848,683)	
Compensated absences	<u>(94,150)</u>	(2,942,833)
Revenues for amounts not received during the period of availability are not considered "available" and have been deferred in the funds, but are not deferred in the governmental activities.		351,556
Rounding		<u>(1)</u>
Total net position--governmental activities		\$ 7,169,980

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

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2019	2018
Revenues:					
Local taxes	\$ 2,181,896	\$ 308,726	\$ -	\$ 2,490,622	\$ 2,269,184
Licenses and permits	14,974	-	-	14,974	7,491
City court	295,404	-	-	295,404	250,457
Revenue from use of facilities and services	248,142	-	-	248,142	217,674
Intergovernmental revenue	798,238	2,661,550	779,981	4,239,769	4,101,863
Fines and forfeitures	-	-	7,405	7,405	19,316
Charges for services	44,908	-	344,952	389,860	358,210
Miscellaneous revenue	71,804	9,319	33,388	114,511	60,919
Interest	3,369	2,029	199	5,597	3,260
SRT investment income	-	301	-	301	-
Total revenues	<u>3,658,735</u>	<u>2,981,925</u>	<u>1,165,925</u>	<u>7,806,585</u>	<u>7,288,374</u>
Expenditures:					
Current:					
General government	920,022	-	-	920,022	1,241,232
Public safety	1,977,724	-	-	1,977,724	1,490,628
Public works	558,723	-	-	558,723	276,542
Drug enforcement	-	-	5,339	5,339	18,238
Sanitation	-	-	365,039	365,039	305,069
Gem theatre	-	-	-	-	-
Culture and recreation	728,119	-	-	728,119	734,713
Economic development	-	-	10,400	10,400	-
State Street Aid	-	-	180,822	180,822	140,293
Education	-	2,845,460	642,595	3,488,055	3,580,876
Debt service:					
Principal retirement	250,649	-	-	250,649	189,445
Interest and fiscal charges	80,785	-	-	80,785	45,470
Total expenditures	<u>4,516,022</u>	<u>2,845,460</u>	<u>1,204,195</u>	<u>8,565,677</u>	<u>8,022,506</u>
Revenues over (under) expenditures	<u>(857,287)</u>	<u>136,465</u>	<u>(38,270)</u>	<u>(759,092)</u>	<u>(734,132)</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds	
				2019	2018
Other financing sources (uses):					
Interfund transfers - in	\$ -	\$ 243,395	\$ 125,304	\$ 368,699	\$ 197,459
Interfund transfers - out	(368,699)	-	-	(368,699)	(197,460)
In lieu of tax - Etowah Utilities Board	543,712	-	-	543,712	529,927
Issuance of notes	1,072,658	-	-	1,072,658	600,000
Total other financing sources (uses)	1,247,671	243,395	125,304	1,616,370	1,129,926
Net changes in fund balances	390,384	379,860	87,034	857,278	395,794
Fund balance, beginning	1,793,278	995,572	284,097	3,072,947	2,677,153
Fund balance, ending	<u>\$ 2,183,662</u>	<u>\$ 1,375,432</u>	<u>\$ 371,131</u>	<u>\$ 3,930,225</u>	<u>\$ 3,072,947</u>

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

CITY OF ETOWAH, 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, 2019

Total net change in fund balances--governmental funds	\$ 857,278
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 (\$579,243) is exceeded by capital outlays (\$1,291,953) in the period.	712,710
Loss on disposal	(71,895)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	263,671
Debt issued is revenue in the governmental funds, but the debt proceeds increase long-term liabilities in the statement of net position.	(1,072,658)
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 was more than the amounts earned by \$13,244.	13,244
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). This year, other postemployment benefits were accrued based on an actuarial study.	(19,569)
Pension contributions made after the net pension liability date are reported as Deferred Outflows of Resources. However, they are expensed in the fund statements.	215,630
Income from other post employment benefits	8,951
Revenues for amounts not received during the period of availability are not considered "available" and have been deferred in the funds, but are recognized as revenue in the governmental activities.	(61,881)
Rounding	-
Change in net position of governmental activities	\$ 845,481

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

CITY OF ETOWAH, TENNESSEE
Statement of Net Position - Proprietary Fund

June 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 15,214,327
Receivables:	
Customers, less allowance for doubtful accounts of \$392,580	1,981,515
Unbilled revenue	1,315,003
Other	74,704
Materials and supplies inventory	<u>635,203</u>
Total current assets	<u>19,220,752</u>
Restricted assets:	
Restricted cash	3,052,586
Other assets	<u>8,441</u>
Total restricted assets	<u>3,061,027</u>
Capital assets	73,451,040
Less accumulated depreciation	<u>29,179,364</u>
Net capital assets	<u>44,271,676</u>
Receivable - Tennessee Valley Authority Residential Energy Services Program	<u>108,040</u>
Total assets	<u>66,661,495</u>

DEFERRED OUTFLOWS OF RESOURCES

Unamortized debt cost	141,642
Accumulated decrease in fair value of hedging derivatives	1,448,366
Pension contributions made after the net pension liability measurement date	672,000
Difference between expected and actual experience - pension	342,731
Change in assumptions - pension	<u>291,841</u>
Total deferred outflows of resources	<u>2,896,580</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

Statement of Net Position - Proprietary Fund
(Continued)

June 30, 2019

LIABILITIES

Current liabilities:	
Current maturities of long-term debt	\$ 795,427
Accounts payable:	
Trade	3,811,471
Due to city	53,881
Accrued expenses	1,179,922
Customer deposits	<u>142,531</u>
Total current liabilities	<u>5,983,232</u>
Long-term debt, excluding current maturities	<u>14,994,051</u>
Derivative instrument - interest rate swap	<u>1,448,366</u>
Advances from Tennessee Valley Authority Residential Energy Services Program	<u>107,956</u>
Net pension liability	<u>2,875,334</u>
Total liabilities	<u>25,408,939</u>

DEFERRED INFLOWS OF RESOURCES

Differences between expected and actual experience - pension	73,326
Differences between expected and actual experience - OPEB	66,764
Change in assumptions - pension	577,561
Change in assumptions - OPEB	<u>3,452</u>
Total deferred inflows of resources	<u>721,103</u>

NET POSITION

Net investment in capital assets	28,482,198
Restricted for debt service	3,052,586
Unrestricted	<u>11,893,249</u>
Total net position	<u>\$ 43,428,033</u>

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

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019

Operating revenues:	
Residential sales	\$ 10,375,288
Commercial and industrial sales	21,936,961
Street and outdoor lighting	321,155
Interruptible sales	685,548
Other operating revenues	<u>1,328,031</u>
	<u>34,646,983</u>
Operating expenses:	
Purchased energy	22,140,708
Distribution and treatment	1,488,961
Customer account services	612,313
Administration and general	2,349,060
Maintenance	1,769,578
Depreciation	<u>2,197,759</u>
	<u>30,558,379</u>
Operating income	<u>4,088,604</u>
Non-operating revenues (expenses):	
Interest income	270,446
Interest expense	(585,528)
Amortization of debt expense	(11,781)
Realized gain on the maturity of investments	<u>4,000</u>
	<u>(322,863)</u>
Income before contributions and transfers	3,765,741
Capital contributions from governments and customers	18,578
Transfers to local government - in lieu of tax	<u>(543,712)</u>
Change in net position	3,240,607
Net position, beginning	<u>40,187,426</u>
Net position, ending	<u>\$ 43,428,033</u>

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

CITY OF ETOWAH, TENNESSEE
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 34,824,646
Cash payments to suppliers for goods and services	(25,244,311)
Cash payments to employees for services	<u>(3,543,012)</u>
Net cash provided by operating activities	<u>6,037,323</u>
Cash flows from noncapital and related financing activities:	
Cash payment for in lieu of taxes	<u>(543,712)</u>
Net cash used by noncapital and related financing activities	<u>(543,712)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,498,829)
Interest paid	4,000
New debt issuance	(585,528)
Customer advances for construction	7,015
Proceeds from grants	11,563
Principal paid on long-term debt maturities, net of deferred debits	<u>(788,331)</u>
Net cash used by capital and related financing activities	<u>(2,850,110)</u>
Cash flows from investing activities:	
Interest received on investments	270,446
Proceeds from decrease of noncurrent assets	261
Advances from (repayments to) departments and city, net	<u>26,802</u>
Net cash provided by investing activities	<u>297,509</u>
Net increase in cash and cash equivalents	2,941,010
Cash and cash equivalents, beginning of year	<u>15,325,903</u>
Cash and cash equivalents, end of year	<u>\$ 18,266,913</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

Statement of Cash Flows - Proprietary Fund
(Continued)

For the Fiscal Year Ended June 30, 2019

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

Operating income	\$ 4,088,604
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,197,759
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	185,045
Other current assets	(3,737)
Materials and supplies inventory	(108,751)
Deferred outflow related to pension plan	34,515
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(192,864)
Net pension liability	(294,322)
Deferred inflow related to pension plan	228,468
Accrued expenses	(93,749)
Customer deposits	<u>(3,645)</u>
Net cash provided by operating activities	<u>\$ 6,037,323</u>

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

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Revenues:				
Local taxes:				
Property taxes	\$ 1,351,460	\$ 1,351,460	\$ 1,350,741	\$ 1,179,905
Penalty and interest	21,000	21,000	25,509	22,763
Local sales tax	560,000	560,000	503,827	470,250
Wholesale beer tax	132,000	132,000	133,883	127,157
Wholesale liquor tax	90,000	90,000	51,747	57,019
Business tax	41,600	41,600	39,683	44,492
Cable television franchise tax	38,500	38,500	42,426	40,451
Hotel/motel tax	32,000	32,000	32,411	29,009
	-	-	1,669	-
Total local taxes	2,266,560	2,266,560	2,181,896	1,971,046
Licenses and permits:				
Alcoholic beverage licenses	1,500	1,500	1,690	1,495
Liquor license	500	500	500	1,000
Animal registration	250	250	585	4,603
Building permits	8,000	8,000	11,874	280
Yard sale permits	1,250	1,250	325	10
Solicitation permits	80	80	-	103
Total licenses and permits	11,580	11,580	14,974	7,491
City Court:				
Court fines and costs	213,000	245,000	282,461	245,049
Penalties	4,200	4,200	12,943	5,408
Total city court	217,200	249,200	295,404	250,457
Revenue from use of facilities and services:				
Recreation fees	39,000	39,000	45,280	29,854
Special services - police department	600	600	822	310
Special services - street department	18,000	18,000	1,211	6,250
Community Center fees	70,000	70,000	70,040	43,495
Library fines and penalties	8,000	8,000	5,737	6,286
Rental income - Community Center	22,500	22,500	16,227	10,324
Rental income - Post Office	97,955	97,955	97,955	97,955
Rental income - Development No 2	-	-	10,870	7,200
McMinn Co for Depot Stage	-	-	-	16,000
Total revenue from use of facilities and services	256,055	256,055	248,142	217,674
Intergovernmental revenues:				
Etowah City Housing Authority - in lieu of tax	28,900	28,900	28,629	26,340
Highway safety grant	10,000	10,000	4,048	13,023
State law enforcement equipment grant	1,000	1,000	-	-
LPRF grant - anonymous donation	-	300,000	300,000	-
State of Tennessee sales tax	290,000	290,000	309,688	297,434
State of Tennessee income tax	21,750	21,750	5,498	12,241
State beer tax	3,300	3,300	1,616	1,628
Gasoline and motor fuel tax	-	-	-	-
Gasoline inspection fee	-	-	-	-

(Continued)

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Revenues (continued):				
Intergovernmental revenues (continued):				
Tennessee Valley Authority tax replacement	\$ 42,000	\$ 42,000	\$ 43,386	\$ 40,228
State of Tennessee corporate excise tax	17,800	17,800	21,840	18,075
Firefighter assistance grant	3,600	3,600	55,014	62,317
Tourism enhancement grant	-	-	13,332	36,668
Clean Energy - enhancement grant	-	-	-	-
Safe Route to Schools grant	-	-	-	-
TML safety grant program	1,000	1,000	5,067	907
State library grant	-	-	4,720	3,950
Police salary supplement	6,600	6,600	3,000	6,600
Fire department supplement	-	-	2,400	-
Total intergovernmental revenues	425,950	725,950	798,238	519,411
Miscellaneous revenues:				
Charges for services	-	-	44,908	-
Interest earned	1,495	1,495	3,369	1,758
Sale of equipment	7,500	7,500	10,135	5,356
Sale of land	-	-	-	-
Insurance recoveries	-	-	12,111	9,420
Donations/contributions	26,625	26,625	26,592	26,974
Other	21,500	21,500	22,966	16,307
Total miscellaneous revenues	57,120	57,120	120,081	59,815
Total revenues	3,234,465	3,566,465	3,658,735	3,025,894
Expenditures:				
General government:				
General:				
Personal services	9,480	6,900	6,246	6,458
Contractual services	1,500	550	932	1,369
Travel	350	208	-	-
Supplies	-	-	446	-
Total general	11,330	7,658	7,624	7,827
City judge:				
Contractual services	8,000	8,000	8,000	6,000
Total city judge	8,000	8,000	8,000	6,000
City administration:				
Personal services	227,999	227,999	225,100	173,002
Contractual services	53,665	53,665	48,915	72,827
Supplies	6,346	6,346	11,811	9,682
Capital outlay	1,500	1,500	486	283,363
Total city administration	289,510	289,510	286,312	538,874
Financial administration:				
Personal services	60,127	60,127	60,134	97,259
Contractual services	35,550	35,550	35,185	55,486
Supplies	1,000	1,000	549	2,661
Fixed charges	1,500	1,500	2,676	2,912
Capital outlay	16,500	31,823	19,583	2,771
Total financial administration	114,677	130,000	118,127	161,089

(Continued)

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
General government (continued):				
City attorney:				
Contractual services	\$ 5,200	\$ 4,518	\$ 4,252	\$ 4,567
Total city attorney	<u>5,200</u>	<u>4,518</u>	<u>4,252</u>	<u>4,567</u>
Other general government:				
Personal services	3,805	3,805	182	27,344
Contractual services	98,200	130,550	136,674	181,191
Fixed charges	230,600	268,336	268,887	229,413
Capital outlay	14,200	84,700	82,516	68,010
Total other general government	<u>346,805</u>	<u>487,391</u>	<u>488,259</u>	<u>505,958</u>
Postal department:				
Contractual services	4,500	2,400	1,148	12,187
Fixed charges	6,300	6,300	6,300	4,730
Total postal department	<u>10,800</u>	<u>8,700</u>	<u>7,448</u>	<u>16,917</u>
Total general government	<u>786,322</u>	<u>935,777</u>	<u>920,022</u>	<u>1,241,232</u>
Public safety:				
Police department:				
Personal services	589,852	633,878	590,974	578,391
Contractual services	129,999	147,526	135,700	109,669
Supplies	40,600	40,600	47,566	45,124
Other	100	100	-	100
Capital outlay	4,500	4,500	3,870	12,602
Total police department	<u>765,051</u>	<u>826,604</u>	<u>778,110</u>	<u>745,886</u>
School resource officer:				
Personal services	-	33,600	32,084	-
Contractual services	-	900	380	-
Supplies	-	600	465	-
Capital outlay	-	6,000	4,767	-
Total school resource officer	<u>-</u>	<u>41,100</u>	<u>37,696</u>	<u>-</u>
Fire department:				
Personal services	299,675	342,629	322,120	313,905
Contractual services	55,670	55,670	56,994	58,781
Supplies	12,000	12,000	12,080	15,173
Capital outlay	2,000	109,000	686,965	258,217
Total fire department	<u>369,345</u>	<u>519,299</u>	<u>1,078,159</u>	<u>646,076</u>
Building inspector:				
Personal services	51,829	51,829	45,129	45,417
Contractual services	40,050	37,630	32,161	47,014
Supplies	2,800	2,800	2,683	2,569
Capital outlay	1,000	1,000	3,786	3,666
Total building inspector	<u>95,679</u>	<u>93,259</u>	<u>83,759</u>	<u>98,666</u>
Total public safety	<u>1,230,075</u>	<u>1,480,262</u>	<u>1,977,724</u>	<u>1,490,628</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Public works:				
Highways and streets:				
Personal services	\$ 198,529	\$ 198,529	\$ 187,606	\$ 184,778
Contractual services	121,131	121,131	119,465	61,827
Supplies	41,953	41,953	25,992	22,217
Capital outlay	55,000	55,000	129,803	7,720
Total highways and streets	416,613	416,613	462,866	276,542
State street aid:				
Contractual services	-	-	-	-
Capital outlay	-	-	-	-
Total state street aid	-	-	-	-
Capital projects fund:				
Capital outlay	85,000	96,000	95,857	-
Total capital projects fund	85,000	96,000	95,857	-
Total public works	501,613	512,613	558,723	276,542
Culture and recreation:				
Culture:				
Contractual services	-	30,000	29,725	-
Donations	42,100	42,100	40,042	40,500
Total culture	42,100	72,100	69,767	40,500
Parks and recreation:				
Personal services	108,193	108,193	87,494	96,698
Contractual services	39,988	94,265	89,574	51,097
Supplies	16,260	21,517	26,817	14,552
Capital outlay	8,500	8,500	4,871	4,224
Total parks and recreation	172,941	232,475	208,756	166,571
Community center:				
Personal services	130,307	141,407	131,972	102,226
Contractual services	48,140	57,740	57,678	157,098
Supplies	18,770	30,725	19,420	11,821
Fixed charges	350	350	69	173
Capital outlay	2,250	2,250	3,055	16,658
Total community center	199,817	232,472	212,194	287,976
Gem Theatre:				
Personal services	2,689	2,689	3,994	1,800
Contractual services	22,650	22,650	24,062	15,139
Supplies	6,530	6,530	1,607	16
Capital outlay	1,500	3,501	3,053	85
Total Gem Theatre	33,369	35,370	32,716	17,040

(Continued)

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Culture and recreation (continued):				
Etowah Depot:				
Personal services	\$ 36,235	\$ 36,235	\$ 33,010	\$ 31,691
Contractual services	27,450	71,950	65,955	103,968
Supplies	4,600	6,847	3,071	1,791
Capital outlay	1,000	1,000	1,008	506
Total Etowah Depot	69,285	116,032	103,044	137,956
Library:				
Personal services	63,168	63,168	61,895	60,788
Contractual services	27,212	40,312	34,835	20,841
Supplies	1,400	1,400	1,478	1,679
Capital outlay	1,500	1,500	3,434	1,362
Total library	93,280	106,380	101,642	84,670
Total culture and recreation	610,792	794,829	728,119	734,713
Debt service:				
Contractual services	-	-	-	2,239
Principal retirement	303,121	285,621	250,649	189,445
Interest and fiscal charges	65,978	84,189	80,785	43,231
Total debt service	369,099	369,810	331,434	234,915
Total expenditures	3,497,901	4,093,291	4,516,022	3,978,030
Revenues over (under) expenditures	(263,436)	(526,826)	(857,287)	(952,136)
Other financing sources (uses):				
Interfund transfers - in	-	-	-	-
Interfund transfers - out	(243,395)	(386,005)	(368,699)	(197,460)
Etowah Utilities - in lieu of tax	506,831	506,831	543,712	529,927
Issuance of notes	-	406,000	1,072,658	600,000
Total other financing sources (uses)	263,436	526,826	1,247,671	932,467
Net change in fund balances	-	-	390,384	(19,669)
Fund balance, beginning	1,793,278	1,793,278	1,793,278	1,812,947
Fund balance, ending	\$ 1,793,278	\$ 1,793,278	\$ 2,183,662	\$ 1,793,278

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

CITY OF ETOWAH, TENNESSEE

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

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Revenues:				
Local taxes:				
In lieu of tax	\$ 3,000	\$ 3,000	\$ 6,805	\$ 6,646
Local sales tax	245,744	245,744	301,921	291,492
Total local taxes	248,744	248,744	308,726	298,138
Intergovernmental revenue:				
McMinn County:				
Property taxes	436,636	438,636	407,200	422,525
Interest and penalty	5,000	5,000	5,389	4,703
Pickup taxes	12,900	12,900	14,596	17,156
Business taxes	4,000	4,000	8,634	8,791
Bank excise tax	3,400	3,400	2,401	3,028
Interstate telecommunications tax	325	325	-	-
Licenses and permits	100	100	442	512
Miscellaneous	-	-	70	35
Total McMinn County	462,361	464,361	438,732	456,750
State of Tennessee:				
Basic education program	2,001,000	2,003,000	2,003,000	1,893,000
Other state education funds	92,802	92,802	105,439	95,897
Early childhood education	82,300	102,300	95,594	189,118
Career ladder program	6,000	6,000	6,804	4,517
Other state revenues	-	-	5,872	3,591
Total State of Tennessee	2,182,102	2,204,102	2,216,709	2,186,123
U.S. Government:				
Public Law 875 - Maintenance and Operation	4,000	4,000	6,109	4,552
Total U.S. Government	4,000	4,000	6,109	4,552
Total intergovernmental revenue	2,648,463	2,672,463	2,661,550	2,647,425
Miscellaneous revenue:				
Interest earned	500	500	2,029	1,454
Other revenues	-	-	9,319	1,400
SRT investment income	-	-	301	-
Total miscellaneous revenue	500	500	11,649	2,854
Total revenues	2,897,707	2,921,707	2,981,925	2,948,417

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures:				
Instruction:				
Regular instruction program:				
Teachers	\$ 1,088,564	\$ 1,088,564	\$ 989,221	\$ 961,027
Career ladder program	3,000	3,000	3,000	3,000
Extended contracts	-	-	-	26,240
Bonus payments	20,000	20,000	10,100	-
Certified substitute teachers	-	-	-	5,695
Non-certified substitute teachers	16,000	16,000	15,085	8,643
Social security	68,669	68,669	60,202	60,217
State retirement	114,178	104,178	96,100	87,606
Medical insurance	225,722	210,722	173,221	146,739
Medicare	16,060	16,060	14,080	14,083
Retirement hybrid stabilization	-	6,000	-	-
Instructional supplies/ materials	6,500	21,500	19,392	10,046
Textbooks	50,000	50,000	27,616	3,958
Other charges	7,500	11,500	9,894	5,969
Equipment	-	-	-	5,732
Total regular instruction program	<u>1,616,193</u>	<u>1,616,193</u>	<u>1,417,911</u>	<u>1,338,955</u>
Special education program:				
Teachers	68,102	68,102	68,474	65,656
Homebound teachers	3,400	283	472	1,153
Educational assistants	14,298	14,298	21,881	17,458
Certified substitute teachers	2,100	-	-	720
Non-certified substitute teachers	1,925	3,360	3,360	3,658
Social security	5,570	5,490	5,250	5,313
State retirement	8,061	8,061	7,283	6,777
Medical insurance	11,305	11,305	10,506	9,656
Medicare	1,303	1,284	1,228	1,243
Other contracted services	25,564	17,856	17,853	50,493
Instructional supplies/ materials	500	80	81	99
Other supplies and materials	4,000	2,700	2,700	38
Equipment	-	10,000	10,000	-
Total special education program	<u>146,128</u>	<u>142,819</u>	<u>149,088</u>	<u>162,264</u>
Total instruction	<u>1,762,321</u>	<u>1,759,012</u>	<u>1,566,999</u>	<u>1,501,219</u>
Support services:				
Health services:				
Supervisor/director	33,080	32,880	32,880	32,880
Medical personnel	18,054	18,054	11,634	8,686
Other salaries and wages	37,405	33,200	34,443	36,404
Social security	3,438	3,178	2,854	2,793

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Support services (continued):				
Health services (continued):				
State retirement	\$ 2,669	\$ 2,414	\$ 2,414	\$ 140
Medicare	1,284	1,220	1,144	1,130
Travel	2,000	2,000	1,350	897
Drugs/medical supplies	1,000	2,000	489	479
Other supplies and materials	2,893	6,877	5,533	6,423
Other charges	500	500	326	384
Equipment	-	-	834	-
Total health services	<u>102,323</u>	<u>102,323</u>	<u>93,901</u>	<u>90,216</u>
Other student support:				
Career ladder program	1,000	1,000	1,000	1,000
Guidance personnel	55,917	55,917	55,917	54,821
Other salaries and wages	7,500	7,500	6,000	6,000
Social security	3,994	3,994	3,778	3,740
State retirement	6,738	6,738	6,581	5,613
Medical insurance	7,537	7,537	7,179	6,921
Medicare	934	934	884	875
Other contracted services	500	55,500	43,023	-
Total other student support	<u>84,120</u>	<u>139,120</u>	<u>124,362</u>	<u>78,970</u>
Regular instruction program:				
Other salaries and wages	38,205	38,205	38,205	39,765
Social security	2,369	2,369	2,298	2,392
State retirement	3,996	3,996	3,908	3,611
Medical insurance	5,237	5,237	4,919	4,554
Medicare	554	554	537	559
Travel	-	-	-	-
Other supplies and materials	-	-	-	-
In-service/staff development	-	-	-	-
Total regular instruction program	<u>50,361</u>	<u>50,361</u>	<u>49,867</u>	<u>50,881</u>
Support special education:				
Supervisor/director	36,037	36,037	36,036	34,748
Social security	2,234	2,234	2,195	2,130
State retirement	3,770	3,770	3,769	3,155
Medical insurance	3,768	3,768	4,307	4,153

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Support services (continued):				
Support special education (continued):				
Medicare	\$ 523	\$ 523	\$ 513	\$ 498
Other contracted services	-	10,515	10,340	-
Other supplies and materials	500	3,823	3,825	257
In-service/staff development	3,000	2,471	2,470	1,242
	<u>49,832</u>	<u>63,141</u>	<u>63,455</u>	<u>46,183</u>
Total support special education				
	<u>49,832</u>	<u>63,141</u>	<u>63,455</u>	<u>46,183</u>
Board of education services:				
Board member fees	3,000	3,000	3,000	3,000
Social security	190	190	188	186
Unemployment	3,500	3,500	2,467	2,812
Medicare	45	45	44	43
Audit services	15,000	15,000	14,807	13,467
Dues and memberships	4,000	4,000	3,894	3,619
Legal services	10,000	10,000	1,050	365
Travel	-	-	-	6,288
Premiums on corporate surety bonds	1,200	1,200	1,035	1,102
Trustee's commission	12,000	14,000	11,849	10,912
Worker's compensation insurance	17,000	15,000	14,262	14,994
In-service/staff development	7,500	8,500	7,939	1,090
Refund to applicant for criminal investigation	1,400	400	329	326
Other charges	6,000	6,000	4,907	4,781
	<u>80,835</u>	<u>80,835</u>	<u>65,771</u>	<u>62,985</u>
Total board of education services				
	<u>80,835</u>	<u>80,835</u>	<u>65,771</u>	<u>62,985</u>
Office of the superintendent:				
Administrative officer	61,675	61,675	61,675	60,465
Career ladder program	1,000	1,000	1,000	1,000
Secretary	38,889	38,889	38,889	38,163
Social security	6,297	6,297	6,019	5,515
State retirement	1,583	2,000	1,886	1,553
Medical insurance	11,691	11,274	11,136	10,523
Medicare	1,473	1,473	1,408	1,377
Communication	5,000	9,000	8,902	5,654
Dues and memberships	2,500	2,500	2,462	2,292
Postal charges	3,000	3,000	2,806	2,757
Travel	1,000	1,000	119	1,263
Office supplies	1,000	1,000	818	-

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Support services (continued):				
Office of the superintendent (continued):				
In-service/staff development	\$ 4,000	\$ 4,000	\$ 3,923	\$ 670
Other charges	2,000	2,000	1,086	2,919
	<u>141,108</u>	<u>145,108</u>	<u>142,129</u>	<u>134,151</u>
Office of the principal:				
Principals	81,952	81,952	81,801	80,274
Secretaries	28,710	28,710	28,710	28,149
Social security	6,861	6,861	6,482	6,367
State retirement	9,741	10,000	9,854	8,435
Medical insurance	15,074	14,815	14,298	13,678
Medicare	1,605	1,605	1,516	1,489
Travel	1,000	1,000	281	393
Other supplies and materials	500	500	-	540
In-service/staff development	2,500	2,500	2,713	273
Other charges	2,000	2,000	710	1,946
	<u>149,943</u>	<u>149,943</u>	<u>146,365</u>	<u>141,544</u>
Fiscal services:				
Accountants/bookkeepers	44,290	44,290	44,280	43,450
Clerical personnel	7,132	7,132	-	-
Social security	3,188	3,188	2,354	2,308
State retirement	1,803	2,200	2,145	1,768
Medical insurance	14,306	13,909	13,650	12,835
Medicare	746	746	550	539
Data processing services	19,676	1,000	-	-
Other supplies and materials	1,000	1,000	718	714
In-service/staff development	1,500	1,500	249	114
Other charges	10,500	10,500	10,466	9,735
	<u>104,141</u>	<u>85,465</u>	<u>74,412</u>	<u>71,463</u>
Operation of plant:				
Custodial personnel	61,312	61,312	57,937	53,344
Social security	3,801	3,801	3,410	3,192
State retirement	2,294	2,900	2,804	2,151
Medical insurance	21,843	21,237	16,667	10,638
Medicare	889	889	797	747

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Support services (continued):				
Operation of plant (continued):				
Travel	\$ 500	\$ 500	\$ 466	\$ 32
Custodial supplies	6,500	6,500	5,687	4,178
Electricity	80,000	80,000	69,280	64,684
Natural gas	12,000	19,000	14,882	11,962
Water and sewer	9,000	9,000	7,892	8,049
Other supplies and materials	5,000	5,000	4,641	5,292
Building and content insurance	18,000	18,000	16,373	16,057
Other charges	2,500	5,500	5,757	2,527
Total operation of plant	<u>223,639</u>	<u>233,639</u>	<u>206,593</u>	<u>182,853</u>
Maintenance of plant:				
Maintenance/repair service - buildings	36,000	16,000	2,000	1,031
Maintenance/repair service - equipment	6,000	6,000	2,457	6,324
Building improvements	-	10,000	9,538	106,224
Other contracted services	3,000	3,000	2,405	2,560
Total maintenance of plant	<u>45,000</u>	<u>35,000</u>	<u>16,400</u>	<u>116,139</u>
Transportation:				
Bus drivers	20,350	20,350	18,700	16,500
Social security	1,262	1,262	1,085	944
State retirement	2,121	2,121	1,956	1,195
Medical and dental services	200	200	-	60
Medicare	300	300	254	221
Contracts with other school systems	-	-	-	3,920
Contracts with parents	-	-	-	175
Maintenance/repair service - vehicles	3,000	4,000	3,215	688
Gasoline	6,000	5,000	4,177	3,369
Total transportation	<u>33,233</u>	<u>33,233</u>	<u>29,387</u>	<u>27,072</u>
Technology services:				
Other salaries and wages	30,171	30,171	30,171	29,576
Social security	1,871	1,871	1,819	1,784
State retirement	1,228	1,500	1,463	1,204
Medical insurance	7,537	7,265	7,149	6,839
Medicare	437	437	425	417
Internet connectivity	7,200	7,200	5,994	5,994
Travel	-	-	-	781
Other contracted services	45,000	26,883	7,530	6,935
Software	4,000	4,000	3,678	3,286

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Expenditures (continued):				
Support services (continued):				
Technology services (continued):				
Other supplies and materials	\$ 6,000	\$ 10,000	\$ 4,474	\$ 3,044
Inservice/staff development	3,000	3,000	1,544	281
Other capital outlay	-	-	5,293	8,367
Total technology services	<u>106,444</u>	<u>92,327</u>	<u>69,540</u>	<u>68,508</u>
Total support services	<u>1,170,979</u>	<u>1,210,495</u>	<u>1,082,182</u>	<u>1,070,965</u>
Operation of noninstructional services:				
Early childhood education:				
Teachers	49,636	90,313	90,313	87,791
Educational assistants	16,013	29,267	28,840	31,647
Other salaries and wages	4,500	4,500	4,500	4,500
Social security	4,473	7,704	7,534	7,631
State retirement	6,219	10,852	10,530	9,445
Medical insurance	18,010	30,976	30,789	30,265
Medicare	1,046	1,802	1,762	1,785
Instructional supplies	-	6,999	8,047	3,259
Other supplies and materials	4,905	9,182	6,720	7,399
Contracts for substitute teachers	2,000	2,500	2,257	3,360
In-service/staff development	1,000	1,000	182	2,036
Miscellaneous	-	500	405	-
Equipment	-	-	4,400	-
Total early childhood education	<u>107,802</u>	<u>195,595</u>	<u>196,279</u>	<u>189,118</u>
Total operation of noninstructional services	<u>107,802</u>	<u>195,595</u>	<u>196,279</u>	<u>189,118</u>
Total expenditures	<u>3,041,102</u>	<u>3,165,102</u>	<u>2,845,460</u>	<u>2,761,302</u>
Revenues over (under) expenditures	<u>(143,395)</u>	<u>(243,395)</u>	<u>136,465</u>	<u>187,115</u>
Other financing sources (uses):				
Transfers from City of Etowah - General Fund	<u>143,395</u>	<u>243,395</u>	<u>243,395</u>	<u>143,395</u>
Total other financing sources (uses)	<u>143,395</u>	<u>243,395</u>	<u>243,395</u>	<u>143,395</u>
Net change in fund balances	-	-	379,860	330,510
Fund balance, beginning	<u>995,572</u>	<u>995,572</u>	<u>995,572</u>	<u>665,062</u>
Fund balance, ending	<u>\$ 995,572</u>	<u>\$ 995,572</u>	<u>\$ 1,375,432</u>	<u>\$ 995,572</u>

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements

June 30, 2019

(1) Summary of Significant Accounting PoliciesDescription of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The City of Etowah, Tennessee is a municipal corporation governed by an elected mayor and four-member commission. The accompanying financial statements present the primary government.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's electric, water/sewer, and gas functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The *General Purpose School Fund* is the general operating fund of the Etowah City School System. It is used to account for all school financial resources except those required to be accounted for in another fund.

CITY OF ETOWAH, TENNESSEE

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

The government reports the following major enterprise funds:

The *Etowah Utilities Board* accounts for all the activities of the electric, gas, water and sewer utilities servicing the citizens of the City and surrounding areas.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Measurement Focus and Basis of Accounting (Continued)

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The appropriated budget is prepared by fund, function and department. All supplemental appropriations require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the individual fund level. Budgetary control, however, is maintained at the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

At June 30, 2019, the City had no encumbrances. During the year ended June 30, 2019, the City did not over expend any of their legally adopted fund budgets.

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position/Fund Balance**Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) having original maturity dates of three months or less from date of acquisition.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position/Fund Balance (Continued)**Property Taxes Receivable**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1 of the following year.

Property tax revenues are recognized when levied to the extent that they result in current receivables within sixty 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. A reserve representing delinquent taxes which remain uncollectible and unavailable to fund expenditures of the fiscal year June 30, 2019 is recorded. The balance of the reserve at June 30, 2019 is \$158,134.

At June 30, 2019, the government's 2019 property taxes were not scheduled to be billed until October 2019. Consequently, unbilled property taxes and deferred inflows of resources totaling \$1,371,879 are recorded.

Inventories and Prepaid Items

Inventories are valued at the lower of cost (moving average method) or market and consist of fuel, chemicals, construction materials, utility plant replacement parts, and stored natural gas in the enterprise funds and items available for resale in the cafeteria fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased. There were \$23,361 of prepaid items as of June 30, 2019.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. During the year ended June 30, 2019, there were no capitalized interest costs.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position/Fund Balance (Continued)**Capital Assets** (Continued)

Land and improvements and construction/retirement in progress are not depreciated. The other property, equipment and infrastructure in governmental activities are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Machinery and equipment	5 - 15 years
Vehicles	5 - 15 years
Infrastructure	10 - 20 years

The other property, plant and equipment in business activities are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Structures and improvements	40 - 50 years
Equipment	10 - 20 years
Transmission, distribution and collection plants	15 - 75 years

The original cost of electric department fund plant retired or otherwise disposed of and the cost of removal less salvage are charged to accumulated depreciation.

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 then.

The government has items that qualify for reporting in these categories. The government analyzes its derivative financial instruments into hedging derivative instruments and investment derivative instruments. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the statement of net position as deferred outflows of resources. Pension contributions made after the net pension liability measurement date are also reported as deferred outflows on the statement of net position. Certain property taxes in the general fund are unavailable resources in the current year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the statement of net position includes differences between projected and actual earnings on pension plan earnings, pension plan changes in assumptions, pension plan actuarial experience, and changes in proportionate share of net pension liability. Also, several deferrals exist regarding OPEB Plans.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position/Fund Balance (Continued)**Net Position Flow Assumption**

Net position – net investment in capital assets in the government-wide and proprietary fund financial statements consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net investment of capital assets will also include deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are any significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, the portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted or external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as net position - restricted and net position - unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider net position - restricted to have been depleted before net position - unrestricted is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Mayor and board of commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once committed, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position/Fund Balance (Continued)**Fund Balance Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Mayor and board of commissioners have by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses**Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 employee's rights to receive compensation are attributable to services already rendered and it is probable that the government will compensate the employees for the benefits through paid time off or some other means. The government 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, but if the long-term portion were required to be liquidated, the amount would be paid from the General Fund as has been done in prior years.

The City – Employees of the City are granted vacation and sick leave in varying amounts based on their length of employment and may accumulate and carry a maximum of 62.5 days of unused vacation benefits. Unused accrued vacation is payable upon separation from employment. Sick leave benefits may carry over from year to year, however, employees may only be paid for a maximum of 60 days upon retirement. Unused sick leave above 60 days will be credited as additional time worked when calculating the employee's retirement benefits. Employees who terminate for any reason other than retirement forfeit any sick leave benefit.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Revenues and Expenditures/Expenses (Continued)**Compensated Absences (Continued)**

School System – Certified employees earn a maximum of two days personal and professional leave each year. Any unused personal and professional leave at the end of the year is credited to sick leave. All unused sick leave is forfeited by the employee upon termination.

For governmental funds, the current portion of unpaid compensated absences is 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 recorded.

Etowah Utilities Board – The Utilities Board recognizes the cost of vacation pay as it is earned. Employees are allowed to accumulate and carry 62.5 days of unused vacation benefits. The maximum number of weeks permitted to be carried over is determined based on specified years of service requirements. The Utilities board has accrued the estimated liability for the vested vacation leave benefit and included the amount in accrued expense on the proprietary fund statement of net position.

The cost of sick pay benefits is recognized when earned. Employees are allowed to accumulate and carry over unlimited sick leave. Employees are to be paid for a maximum of 60 days at retirement, with the exception for certain employees hired prior to March 24, 1986. Accrued sick leave for employees hired prior to March 24, 1986 who had accumulated between 60 and 240 days are paid upon retirement for their full amount of accumulated days not to exceed 240 days or at the date of the policy change they were given the opportunity to sell the number of accumulated days exceeding 60 days back to the Utilities Board at 80% of its value. Most qualified employees hired prior to March 24, 1986 chose the payout option and now follow the normal policy. Upon termination for reasons other than retirement, sick leave benefits are forfeited for all employees. The Utilities Board has partially accrued the estimated sick leave liability and included that amount in accrued expenses on the proprietary fund statement of net position.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Other Accounting Policies**Use of Estimates**

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

Restricted Assets

These assets consist of cash and demand deposits restricted for debt service, drug enforcement, future expansion of facilities, federal grants and various other restricted uses.

Comparative Data

Comparative totals for the prior year have been presented in the budgetary comparison schedules in order to provide an understanding of changes in the 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. Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's presentation.

Regulated Operations

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

Pension Plans**City**

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 the City of Etowah, Tennessee's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City of Etowah, Tennessee'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 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.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (Continued)Pension Plans (Continued)**Etowah City School System**

SETHEPP Plan. 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 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.

Teacher Retirement Plan. 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 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.

Etowah Utilities Board

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 Etowah 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.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 83, "Certain Asset Retirement Obligations" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018.

Statement No. 88, "Certain Disclosures Relating to Debt, Including Direct Borrowings & Direct Placements" – The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018. This statement improves the information related to debt that is disclosed in notes to government financial statements.

Management has reviewed each of the above statements and has adopted all the GASB statements above that are applicable to the City, Utilities Board and Board of Education.

CITY OF ETOWAH, TENNESSEE

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

Cash and cash equivalents consisted of the following at June 30, 2019:

	<u>Deposits</u>
Unrestricted	\$ 16,264,075
Restricted	<u>5,931,911</u>
	<u>\$ 22,195,986</u>

At June 30, 2019, all cash and cash equivalents of the City (including the Schools and Utilities) were insured by federal depository insurance and/or insured through the State of Tennessee Bank Collateral Pool. Investment policies of the City 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, 2019 was as follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 808,103	\$ 95,857	\$ 2,000	\$ 901,960
Construction in Progress	<u>216,620</u>	<u>-</u>	<u>-</u>	<u>216,620</u>
Total capital assets, not being depreciated	<u>1,024,723</u>	<u>95,857</u>	<u>2,000</u>	<u>1,118,580</u>
Capital assets, being depreciated:				
Buildings and improvements	5,770,363	68,872	5,430	5,833,805
Vehicles and equipment	3,462,784	1,014,454	594,901	3,882,337
Infrastructure	<u>2,991,929</u>	<u>112,770</u>	<u>104,306</u>	<u>3,000,393</u>
Total capital assets, being depreciated	<u>12,225,076</u>	<u>1,196,096</u>	<u>704,637</u>	<u>12,716,535</u>
Less accumulated depreciation for:				
Buildings and improvements	3,328,289	198,541	75,859	3,450,971
Vehicles and equipment	2,608,875	287,528	549,764	2,346,639
Infrastructure	<u>2,069,077</u>	<u>93,174</u>	<u>9,120</u>	<u>2,153,131</u>
Total accumulated depreciation	<u>8,006,241</u>	<u>579,243 *</u>	<u>634,743</u>	<u>7,950,741</u>
Capital assets, being depreciated, net	<u>4,218,835</u>	<u>616,853</u>	<u>69,894</u>	<u>4,765,794</u>
Governmental activities capital assets, net	<u>\$ 5,243,558</u>	<u>\$ 712,710</u>	<u>\$ 69,894</u>	<u>\$ 5,884,374</u>

CITY OF ETOWAH, TENNESSEE

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

Governmental capital assets (continued):

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 46,298
Public safety	75,985
Public works/streets	163,292
Sanitation	17,530
Culture and recreation	123,859
Education	<u>152,279</u>
Total depreciation expense	<u>\$ 579,243</u>

Business-type capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<u>Business-Type Activities</u>				
Capital assets, not being depreciated:				
Land and land rights	\$ 334,583	\$ -	\$ -	\$ 334,583
Construction work in progress	<u>233,328</u>	<u>230,253</u>	<u>-</u>	<u>463,581</u>
Total capital assets, not being depreciated	<u>567,911</u>	<u>230,253</u>	<u>-</u>	<u>798,164</u>
Capital assets, being depreciated:				
Distribution plant	67,131,935	1,011,793	149,898	67,993,830
General plant	<u>4,568,289</u>	<u>117,712</u>	<u>26,955</u>	<u>4,659,046</u>
Total capital assets, being depreciated	<u>71,700,224</u>	<u>1,129,505</u>	<u>176,853</u>	<u>72,652,876</u>
Less accumulated depreciation for:				
Distribution plant	23,675,198	2,049,819	295,475	25,429,542
General plant	<u>3,622,334</u>	<u>154,172</u>	<u>26,684</u>	<u>3,749,822</u>
Total accumulated depreciation	<u>27,297,532</u>	<u>2,203,991</u>	<u>322,159</u>	<u>29,179,364</u>
Capital assets, being depreciated, net	<u>44,402,692</u>	<u>(1,074,486)</u>	<u>(145,306)</u>	<u>43,473,512</u>
Business-type activities capital assets, net	<u>\$ 44,970,603</u>	<u>\$ (844,233)</u>	<u>\$ (145,306)</u>	<u>\$ 44,271,676</u>

Depreciation expense was \$2,203,991 in 2019 with \$6,232 charged to plant construction clearing accounts.

CITY OF ETOWAH, TENNESSEE

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

The City's outstanding notes and bonds payable contain provisions that in an event of default, outstanding amounts are to become due if the City is unable to remedy or cure the default under the terms of each debt agreement. The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

Governmental Activities	July 1, 2018	Additions	Retirements/ Refunded	June 30, 2019	Amounts Due Within One Year
General Obligation Bond, Series 2013 A	\$ 220,000	\$ -	\$ 70,000	\$ 150,000	\$ 75,000
USDA Rural Development Bond, Series 2012	115,752	-	11,328	104,424	11,716
General Obligation Capital Outlay Note, Series 2012	60,529	-	22,857	37,672	23,426
Local Government Public Improvement Bonds, VII-G-1	495,000	-	20,000	475,000	20,000
USDA Rural Development Bond, Series 2013	172,495	-	8,717	163,778	9,027
General Obligation Capital Outlay Note, Series 2015	38,695	-	10,894	27,801	11,245
Capital Outlay Note Series 2016	37,400	-	8,900	28,500	9,200
Capital Outlay Note Series 2017	70,000	-	17,500	52,500	18,000
Capital Outlay Note Series 2018	600,000	-	42,000	558,000	43,000
General Obligation Capital Outlay Note, Series 2019	-	406,000	-	406,000	27,000
Capital Lease - Firetruck	-	571,052	37,120	533,932	38,757
Capital Lease - Dumptruck	-	95,606	14,355	81,251	18,018
Commitments*	229,825	-	-	229,825	-
Accrued compensated absences	107,394	45,921	59,165	94,150	-
Total governmental activities	<u>\$ 2,147,090</u>	<u>\$ 1,118,579</u>	<u>\$ 322,836</u>	<u>\$ 2,942,833</u>	<u>\$ 304,389</u>

* In June 2000, the City conveyed a portion of the North Etowah Industrial Park to the McMinn County Economic Development Authority for future development and sale. The Authority advanced the City \$229,825 to reduce the principal on land purchases. In return, the Authority received 91.93 acres of land. The City retains the right to negotiate all property sales or disposals and must pay the Authority \$2,500 per acre sold or disposed.

CITY OF ETOWAH, TENNESSEE

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

Governmental bonds and capital outlay notes payable at June 30, 2019 consist of the following:

Bonds and Capital Outlay Notes

Local Government General Obligation Bond, Series 2013 A, due in annual installments ranging from \$5,000 to \$75,000 through 2021. Interest is payable semi-annually at a variable rate ranging from 2.00% to 3.00%.	\$ 150,000
USDA Rural Development Bond, Community Facilities Loan Program, dated May 10, 2012, due in monthly principal and interest installments of \$1,255 through 2027 at an interest rate of 3.375%.	104,424
Local Government Public Improvement Bonds, Series VII-G-I, due in annual installments ranging from \$15,000 to \$40,000 through 2035. Interest is payable monthly at a variable rate.	475,000
USDA Rural Development Bond, Community Facilities Loan Program, dated September 11, 2013, due in monthly principal and interest installments of \$1,218 through 2023 at an interest rate of 3.5%.	163,778
Capital Lease Obligation, dated August 22, 2012, interest at 2.48%. Principal and interest payments of \$12,107 due semi-annually in August and February through 2021.	37,672
General Obligation Capital Outlay Note, Series 2015, dated November 25, 2014, due in monthly principal and interest installments of \$998 through 2021 at an interest rate of 3.15%.	27,801
Capital Outlay Note, Series 2017, dated November 10, 2016. Principal payments ranging from \$8,600 to \$9,800.	28,500
Capital Outlay Note, Series 2017, dated April 13, 2017. Principal and interest payments due in annual installments for five years.	52,500
Capital Outlay Note, Series 2017, dated Oct 18, 2017. Principal and interest payments due in annual installments for 12 years.	558,000
General Obligation Capital Outlay Note, Series 2019, dated March 5, 2019. Principal and interest payments due in annual installments for 12 years.	406,000
Capital Lease Obligation, dated May 1, 2019, interest at 4.41%. Principal and interest payments of \$62,303 due annually in May through 2030.	533,932
Capital Lease Obligation, dated Oct 10, 2018, interest at 4.90%. Principal and interest payments of \$1,800 due monthly through Oct 2023.	81,251
Total bonds and capital outlay notes	2,618,858
Less: current maturities	304,389
Total governmental bonds and capital outlay notes, less current maturities	<u>\$ 2,314,469</u>

CITY OF ETOWAH, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(4) Long-Term Liabilities (Continued)

Business-Type Activities	June 30, 2018	Additions	Retirements	June 30, 2019	Due Within One Year
<u>Bonds Payable</u>					
Electric System Revenue					
Bonds:					
Series 2013A	\$ 3,305,000	\$ -	\$ 170,000	\$ 3,135,000	\$ 160,000
Series 2013B	815,000	-	155,000	660,000	160,000
Gas Revenue and Tax					
Bonds:					
Series VII - G - 1	1,165,000	-	100,000	1,065,000	100,000
Water Revenue and Tax					
Bonds:					
Series VII - G - 1	6,235,000	-	-	6,235,000	-
Series 2013A	675,000	-	220,000	455,000	230,000
Total bonds payable	12,195,000	-	645,000	11,550,000	650,000
<u>Notes Payable</u>					
Note Payable to Town of					
Englewood	167,857	-	5,239	162,618	5,409
Water Department -					
Rural Development Loan	1,069,746	-	19,040	1,050,706	19,702
Sewer Department -					
SRFL - 15 - 347	293,762	-	14,280	279,482	14,364
Sewer Department -					
SRFL - CWS - 14 - 340	909,223	-	44,808	864,415	45,084
Sewer Department -					
Rural Development Loan	1,211,891	-	21,624	1,190,267	22,360
Sewer Department -					
Tennessee State Revolving					
Loan	730,330	-	38,340	691,990	38,508
Total notes payable	4,382,809	-	143,331	4,239,478	145,427
	<u>\$ 16,577,809</u>	<u>\$ -</u>	<u>\$ 788,331</u>	<u>\$ 15,789,478</u>	<u>\$ 795,427</u>

CITY OF ETOWAH, TENNESSEE

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

Bonds and notes payable at June 30, 2019 consist of the following:

Bonds Payable

2.00% - 3.00% Electric Revenue Bonds, Series 2013A, due in annual principal installments ranging from \$170,000 to \$275,000 through 2033.	\$ 3,135,000
2.00% - 3.00% Electric Revenue Bonds, Series 2013B, due in annual principal installments ranging from \$150,000 to \$170,000 through 2023.	660,000
Variable Gas Revenue Bonds, Series VII-G-1, due in annual principal installments ranging from \$100,000 to \$155,000 through 2028.	1,065,000
Variable Water Revenue Bonds, Series VII-G-1, due in annual principal installments ranging from \$250,000 to \$620,000 through 2036.	6,235,000
2.00% Water Revenue Bonds, Series 2013A, due in annual principal installments ranging from \$220,000 to \$225,000 through 2021.	<u>455,000</u>
Total bonds payable	11,550,000
Less: current installments	<u>650,000</u>
	<u>10,900,000</u>

Notes Payable

Capital outlay note payable at 3.375% in monthly payments of principal and interest of \$9,736 through May 2050.	1,050,706
Note payable to the Tennessee Valley Authority, due in quarterly principal installments of \$6,250, plus accrued interest at the variable TVA Loan Rate plus one-half % through 2024.	1,190,267
Note payable to the Town of Englewood at 4.75%, due in monthly principal and interest installments of \$1,090 through June 2039.	162,618
Loan payable to the State of Tennessee Revolving Fund Loan Program totaling \$500,000, interest rate is currently 0.67% paid monthly on drawn funds. Principal and interest will be amortized monthly over an expected 20 years at the close of the financed Sewer Department Capital Project.	279,482
Note payable to the State of Tennessee Revolving Fund Loan Program, interest rate is currently 0.68%. The \$1,000,000 loan includes a forgivable portion of \$50,000. Principal and interest is amortized monthly over 20 years.	864,415
Loan payable to the State of Tennessee Revolving Fund Loan Program, interest rate is currently 0.56%. The expected \$1,000,000 loan includes a forgivable portion of \$200,000. Principal and interest will be amortized monthly over an expected 20 years at the close of the financed Sewer Department Capital Project.	<u>691,990</u>
Total notes payable	4,239,478
Less: current maturities	<u>145,427</u>
	<u>4,094,051</u>
Total business-type bonds and capital outlay notes, less current maturities	<u>\$ 14,994,051</u>

CITY OF ETOWAH, 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, 2019 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 304,389	\$ 98,454	\$ 795,427	\$ 568,624	\$ 1,099,816	\$ 667,078
2021	302,710	90,380	812,745	550,259	1,115,455	640,639
2022	210,078	80,876	840,147	531,097	1,050,225	611,973
2023	189,967	73,164	897,602	503,237	1,087,569	576,401
2024	178,426	68,887	755,136	473,154	933,562	542,041
2025-2029	950,017	219,736	4,281,366	1,908,046	5,231,383	2,127,782
2030-2034	443,271	52,620	4,441,857	1,073,656	4,885,128	1,126,276
2035-2039	40,000	2,000	1,904,957	309,903	1,944,957	311,903
2040-2044	-	-	441,601	143,053	441,601	143,053
2045-2049	-	-	513,849	61,936	513,849	61,936
2050 & Thereafter	-	-	104,791	1,428	104,791	1,428
	<u>\$ 2,618,858</u>	<u>\$ 686,117</u>	<u>\$ 15,789,478</u>	<u>\$ 6,124,393</u>	<u>\$ 18,408,336</u>	<u>\$ 6,810,510</u>

(5) Derivative Instruments – Interest Rate Swap**City – Business-Type Activities**

At June 30, 2019, the government had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
Business-type activities						
\$7.525 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 7,525,000	12/16/2010	6/1/2036	Pay 3.88% Receive 63% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instrument from the year then ended as reported in the 2019 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at 6/30/2019	6/30/2019 Notional Amount
	Classification	Amount	Classification	Amount
Business-type activities				
Hedging derivative -				
Pay fixed interest rate swaps:	Deferred Outflow			
\$7.525 M Swap	of Resources	<u>\$ (243,675)</u>	Debt	<u>\$ (1,448,366)</u>
				<u>\$ 7,525,000</u>

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(5) Derivative Instruments – Interest Rate Swap (Continued)**City – Business-Type Activities (Continued)**

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by the Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Position as either deferred inflows or deferred outflows. The swap agreement described above met the effectiveness criteria, and therefore is classified as a hedging derivative. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported on the Statement of Activities in the period in which they occur. The government has no investment derivative instruments at June 30, 2019.

Derivative Swap Agreement Detail**Business-Type Activities**

Under its loan agreement, the Public Building Authority of Blount County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Public Improvement Bonds, Series A-9-A, totaling \$7,600,000 which were issued in December 2010.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$7.525 million Series A-9-A variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series A-9-A bonds have since been refunded with a portion of the proceeds of the Series VII-G-1 bonds and the interest rate swap is now associated with the Series VII-G-1 bonds.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.681 percent and receives a variable payment computed as 63 percent of the 5-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of \$7.525 million and the associated variable-rate bond had a \$7.525 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-G-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2036. As of June 30, 2019, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.681%
Variable payment from counterparty	% of LIBOR	<u>-1.112%</u>
Net interest rate swap payments		2.569%
Variable-rate bond coupon payments		2.794%
On-going Variable-rate bond payments		<u>0.250%</u>
Effective Synthetic interest rate on bonds		<u>5.613%</u>

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(5) Derivative Instruments – Interest Rate Swap (Continued)Derivative Swap Agreement Detail (Continued)**Business-Type Activities (Continued)**

Fair value. As of June 30, 2019, the swap had a negative fair value of \$(1,448,366). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2019, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa Bank, who was rated "A+" by Standard and Poor's, "AA-" by Fitch Ratings and "Aa3" by Moody's Investor Service at the time the interest rate swap agreement was entered into. If Depfa's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2019, Depfa's credit rating is similar to the credit rating at the time of agreement and was rated "A2/A-" by Moody's, Standard and Poor's, and Fitch Ratings, respectively. The counterparty has posted all collateral requirements with a third-party custodian.

Basis risk. As noted above, the swap exposes the City to basis risk should the rate on the bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(5) Derivative Instruments – Interest Rate Swap (Continued)Derivative Swap Agreement Detail (Continued)**Business-Type Activities (Continued)**

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2020	\$ 100,000	\$ 201,897	\$ 185,614	\$ 487,511
2021	100,000	199,102	183,045	482,147
2022	350,000	196,308	180,476	726,784
2023	375,000	186,528	171,484	733,012
2024	400,000	176,048	161,850	737,898
2025-2029	2,250,000	697,208	640,978	3,588,186
2030-2034	2,500,000	377,247	346,822	3,224,069
2035-2036	1,150,000	48,902	44,958	1,243,860
	<u>\$ 7,225,000</u>	<u>\$ 2,083,240</u>	<u>\$ 1,915,227</u>	<u>\$ 11,223,467</u>

(6) Accrued Expenses

Accrued expenses for proprietary fund consisted of the following:

Compensated absences – sick leave	\$ 385,878
Compensated absences – vacation	350,810
Accrued payroll	123,286
OPEB liability	239,241
Other accrued expenses and deferred credits	<u>80,707</u>
	<u>\$1,179,922</u>

(7) Retirement Plans

The **City of Etowah**, **Etowah City Schools System**, and **Etowah Utilities Board** have defined benefit retirement plans. Employees of the Etowah City Schools System who do not qualify for participation in the State Employees, Teachers and Higher Education Employees Pension Plan participate in the Political Subdivision Pension Plan (PSPP) with other City employees. Information concerning these retirement plans is as follows:

City of Etowah, TennesseePublic Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)

This plan includes general government employees of the City of Etowah, Tennessee and non-professional personnel of Etowah City Schools.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah, Tennessee (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)
(Continued)

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

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. 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.

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	46
Inactive employees entitled to but not yet received benefits	78
Active employees	<u>58</u>

182

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah, Tennessee** (Continued)Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)
(Continued)

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. Etowah 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 Etowah were \$72,223 based on a rate of 4.92 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the 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)

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

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

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 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 anticipated improvement.

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah, Tennessee (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)
(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 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-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 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 Etowah 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 ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah, Tennessee (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)
(Continued)Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/17	<u>\$ 4,320,401</u>	<u>\$ 4,398,292</u>	<u>\$ (77,891)</u>
Changes for the year:			
Service cost	193,179		193,179
Interest	318,186		318,186
Differences between expected and actual experience	(122,271)		- (122,271)
Contributions - employer		61,883	(61,883)
Contributions - employees		81,334	(81,334)
Net investment income		360,465	(360,465)
Benefit payments, including refunds of employee contributions	(249,618)	(249,618)	-
Administrative expense		(4,929)	4,929
Net changes	<u>139,476</u>	<u>249,135</u>	<u>(109,659)</u>
Balance at 6/30/18	<u>\$ 4,459,877</u>	<u>\$ 4,647,427</u>	<u>\$ (187,550)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 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%)
Etowah's net pension liability (asset)	\$ 360,523	\$ (187,550)	\$ (637,121)

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

Pension expense (negative pension expense). For the year ended June 30, 2019, the City recognized pension expense (negative pension expense) of \$16,880.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah, Tennessee (Continued)**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)
(Continued)Pension Expense (Income), 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, 2019, the City 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	\$ 160	\$ 220,852
Net difference between projected and actual earnings on pension plan investments	-	14,574
Changes in Assumptions	59,857	
Contributions subsequent to the measurement date of June 30, 2017	72,223	N/A
Total	<u>\$ 132,240</u>	<u>\$ 235,426</u>

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

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:

2020	\$ (38,691)
2021	(32,018)
2022	(71,123)
2023	(33,577)
2024	-
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education**Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS)

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Etowah 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 publically available financial report that can be obtained at www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher 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.

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 Etowah City Schools for the year ended June 30, 2019 to the Teacher Legacy Pension Plan were \$127,598 which is 10.46 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.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS)
(Continued)Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2019, the Etowah City Schools reported a liability (asset) of (\$134,354) for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Etowah City Schools' proportion of the net pension liability (asset) was based on Etowah City Schools' share of contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2018, Etowah City School's proportion was 0.038181 percent. The proportion measured as of June 30, 2017 was 0.036734 percent.

Pension expense. For the year ended June 30, 2019, Etowah City Schools recognized pension expense of (\$30,775).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Etowah 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	\$ 27,158	\$ 181,255
Changes in assumptions	79,350	-
Net difference between projected and actual earnings on pension plan investments	-	29,241
Changes in proportion of Net Pension Liability (Asset)	29,843	9,739
LEA's contributions subsequent to the measurement date of June 30, 2018	<u>127,598</u>	<u>N/A</u>
Total	<u>\$ 263,949</u>	<u>\$ 220,235</u>

Etowah City Schools' employer contributions of \$127,598, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS)
(Continued)Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions (Continued)**Year Ended June 30:**

2020	\$ 35,380
2021	(35,223)
2022	(72,607)
2023	(11,434)
2024	-
Thereafter	-

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

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

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 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 are customized based on actual experience including an adjustment for anticipated improvement.

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building block-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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS)
(Continued)*Actuarial assumptions (continued)*

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 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</u>	
	<u>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 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 Etowah City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Etowah 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:

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS)
(Continued)*Actuarial assumptions (continued)*

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Etowah City Schools' proportionate share of the net pension liability (asset)	\$ 1,035,689	\$ (134,354)	\$ (1,102,402)

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, 2019, Etowah City Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS)

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Etowah 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 is closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning on July 1, 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Five years of service is required for non-service related disability eligibility. The

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (Continued)*Benefits provided (continued)*

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 COLA, 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. 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, 2019 to the Teacher Retirement Plan were \$5,335, which is 1.94 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. At June 30, 2019, Etowah City Schools reported an asset of (\$9,573) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Etowah City Schools' proportion of the net pension asset was based on Etowah City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, Etowah City Schools' proportion was 0.021107 percent. The proportion measured as of June 30, 2017 was 0.030255 percent.

Pension expense. For the year ended June 30, 2019, Etowah City Schools recognized pension expense of \$3,421.

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (Continued)Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 542	\$ 381
Net difference between projected and actual earnings on pension plan investments	-	541
Changes in assumptions	452	-
Changes in proportion of Net Pension Liability (Asset)	2,972	1,300
Etowah City School's contributions subsequent to the measurement date of June 30, 2018	<u>5,335</u>	<u>N/A</u>
Total	<u>\$ 9,301</u>	<u>\$ 2,222</u>

Etowah City Schools' employer contributions of \$5,335, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 81
2021	64
2022	(13)
2023	128
2024	200
Thereafter	1,284

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

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (Continued)*Actuarial assumptions (continued)*

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 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, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pensions plan investment expense in 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 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 ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**City of Etowah Board of Education (Continued)**Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) (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 Etowah City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Etowah 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%)
Etowah City Schools' proportionate share of the net pension liability (asset)	\$ 1,480	\$ (9,573)	\$ (17,716)

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, 2019, Etowah City Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

Etowah Utilities BoardEtowah Utilities Board Pension PlanGeneral Information about the Pension Plan

Plan Description. Etowah Utilities Board Pension Plan (the Plan), provides pensions for all eligible employees of Etowah 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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**Etowah Utilities Board (Continued)**Etowah Utilities Board Pension Plan (Continued)General Information about the Pension Plan (Continued)

obtained upon request at the Utilities Board's office. The Plan is a single-employer plan. However, in these 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 25 years of age and have completed thirty-six months of service. The eligible employee will become a participant effective as of the July 1 coinciding with or next following date 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 65. The monthly normal retirement benefit for the Plan participants is calculated as 2.75 percent of the participant's average monthly compensation, multiplied by the number of his years of credited service up to a maximum of 20 years or 1.03 percent of average compensation times years of service plus .72 percent of such compensation which is in excess of \$7,800, times years of service. The normal form of benefit paid is a single life annuity with 10 years certain. Early retirement age is the date the participant has both attained age 55 and with fifteen years of credited service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit. Benefit terms do not provide for any cost-of-living adjustments.

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

Active employees	45
Terminated vested and disabled participants	5
Retirees	<u>20</u>
Total	<u>70</u>

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. Employees are not required to contribute to the Plan. For the year ended June 30, 2019 (Plan measurement year ended June 30, 2018), the Utilities Board's average contribution rate was 22.82%. Contributions to the Plan from the Utilities Board were \$624,000 for the year ended June 30, 2019.

Net Pension Liability

At June 30, 2019, the Utilities Board reported a liability of \$2,875,334 for the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019, the Utilities Board recognized pension expense of \$641,670.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**Etowah Utilities Board (Continued)**Etowah Utilities Board Pension Plan (Continued)Net Pension Liability (Continued)

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

Inflation	2.40 percent per annum
Salary increases	3.50 percent per annum
Investment rate of return	7.25 percent per annum

Mortality rates were based on the PPA Small Plan Combined Static Mortality for 2016 for both pre-retirement and post-retirement.

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, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined on the basis of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity - Large Cap	20%	6.10%
U.S. Equity - Small/Mid Cap	28%	7.46%
Non-U.S. Equity - Developed	10%	6.81%
Non-U.S. Equity - Emerging	5%	9.23%
U.S. Corporate Bonds - Core	13%	2.10%
U.S. Corporate Bonds - High Yield	6%	3.86%
Non-U.S. Debt - Developed	6.0%	1.05%
U.S. Treasuries (Cash Equivalents)	7%	0.60%
Real Estate	5%	5.06%
Total	<u>100%</u>	

*Asset classes as stated in Horizon-CMA survey

**Long-Term real rate of return were provided by USI Advisors. Returns are arithmetic means.

Discount rate. The discount rate used to measure total pension liability was 7.25 percent. 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 Utility contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**Etowah Utilities Board (Continued)**Etowah Utilities Board Pension Plan (Continued)Net Pension Liability (Continued)

projected to be available to make 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.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Beginning balance*	<u>\$ 10,839,349</u>	<u>\$ 7,669,694</u>	<u>\$ 3,169,655</u>
Changes for the year:			
Service cost	276,541	-	276,541
Interest expense	787,763	-	787,763
Changes in benefit terms	132,768	-	132,768
Differences between expected and actual experience	91,153	-	91,153
Changes of assumptions	(232,975)	-	(232,975)
Contributions - employer	-	624,000	(624,000)
Contributions - employees	-	-	-
Net investment income	-	730,214	(730,214)
Benefits paid	(509,307)	(509,307)	-
Plan administrative expense	-	(4,643)	4,643
Net changes	<u>545,943</u>	<u>840,264</u>	<u>(294,321)</u>
Ending balance	<u>\$ 11,385,292</u>	<u>\$ 8,509,958</u>	<u>\$ 2,875,334</u>

* the measurement date of the beginning balance was June 30, 2017 and the measurement date of the ending balance was June 30, 2018. The reporting date of the beginning balance is June 30, 2018 and the reporting date of the ending balance is June 30, 2019.

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(7) Retirement Plans (Continued)**Etowah Utilities Board (Continued)**Etowah Utilities Board Pension Plan (Continued)Changes in the Net Pension Liability (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Etowah Utilities Board's proportionate share of the net pension liability	\$ 4,200,850	\$ 2,875,334	\$ 1,740,481

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

At June 30, 2019, 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
Pension contributions made after the net pension liability measurement date	\$ 672,000	\$ -
Differences between expected and actual experience	342,731	66,764
Changes of assumptions	291,841	577,561
Differences between projected and actual earnings on pension plan investments	272,858	346,184
Total	<u>\$ 1,579,430</u>	<u>\$ 990,509</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 89,597
2021	27,535
2022	(77,862)
2023	(7,868)
2024	26,182
Thereafter	(140,663)

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB)**City of Etowah**General information about the OPEB plan

Plan Description. The City of Etowah ("City") provides medical benefits to eligible retirees for up to three years after retirement or until they reach the Medicare eligibility age, whichever occurs first. All active employees who retire directly from the City and meet the eligibility criteria (age 55 with 10 years of service) may participate. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The City provides medical coverage to eligible retirees. The City pays 100% of the premium for the individual retiree coverage through a fully insured medical plan. There is no dependent coverage available for retirees.

At July 1, 2017, the following employees were covered by the benefit terms:

<u>Status</u>	<u>Employee Only</u>	<u>Employee and Dependents</u>
Active (=38)	36	2
Retired (=1)	1	0
Total = 39	37	2

Total OPEB Liability

The City's total OPEB liability of \$154,409 was measured as of June 30, 2019, and the liability was determined by an actuarial valuation as of June 30, 2019 (valuation and measurement date).

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary.
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plans benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Discount Rate	3.88% (.88% real rate of return plus 3.00% inflation)

CITY OF ETOWAH, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(8) Other Postemployment Benefits (OPEB) (Continued)

City of Etowah (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Health Care Cost Trend	5.5% level
Effect of ACA	The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits included in this valuation. This plan has current medical costs well under the limits of the current law. Current legislative discussions include both repeal of excise tax and postponement beyond 2022.
Mortality	RPH-2014 Total Table with Projection MP-2017.
Turnover	Rates varying based on unisex age and select and ultimate at 3 years. Rates based the TCRS actuarial assumptions from 2017 retirement plan valuation report.
Salary Scale	2.50%

The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index. This is one of the indices acceptable under GASB 75. This index is published weekly and is trending toward 4.00% in recent months. We selected 3.88% as the discount rate for this valuation.

The Termination rates were developed from the withdrawal assumption used in 2018 actuarial report for the TCRS retirement plan covering local government participants. The rates are a two year select and ultimate table. The following are representative rates used in the valuation.

Employee Termination Rates			
	1st year	2nd year	Ultimate
Male			
Age 30	21.8%	17.9%	7.4%
Age 40	19.2%	15.9%	3.5%
Age 50	17.0%	13.0%	2.8%
Female	0.0%	0.0%	0.0%
Age 30	21.8%	17.9%	11.1%
Age 40	19.2%	15.9%	5.4%
Age 50	17.0%	13.0%	3.8%

The retirement rates were developed from the assumption used in the 2018 actuarial report for the TCRS retirement plans. These rates are gender specific and for local government participants in TCRS. The following are representative rates used in this valuation.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Etowah (Continued)**Actuarial Assumptions and Other Inputs (Continued)**Employee Retirement Rates**

Age	Male	Female
60	10.5	11
61	15	13
62	20	18
63	17.5	16
64	17.5	16
65	24	24

The RPH-2014 Total mortality table is a current table used for valuation purposes and the MP-2017 mortality projection scale is the most current available.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 6/30/2018	\$ 132,260
Changes for the year:	
Service cost	28,318
Interest	4,917
Changes in benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions and other inputs	0
Benefit payments	(11,086)
Net changes	22,149
Balance at 6/30/19	\$ 154,409

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.88 percent) or 1-percentage-point higher (4.88 percent) than the current discount rate:

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
Net OPEB liability (asset)	\$ 170,732	\$ 154,409	\$ 141,842

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**City of Etowah** (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing 1 percent until 4.5 percent is reached) or 1-percentage-point higher (5.5 percent decreasing 1 percent until 6.5 percent is reached) than the current healthcare cost trend rates:

		1% Decrease (4.5%)	Healthcare Cost Trend Rates (5.5%)		1% Increase (6.5%)
Net OPEB liability (asset)	\$	135,765	\$	154,409	\$ 179,370

For the fiscal year ended June 30, 2019, the City recognizes OPEB expense of \$33,235. At June 30, 2019, the City reported no deferred inflows or outflows of resources related to OPEB.

Etowah City SchoolsClosed Teacher Group OPEB Plan

Plan Description. Employees of Etowah 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. Etowah City Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 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 retirees. 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.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Etowah City Schools** (Continued)Closed Teacher Group OPEB Plan (Continued)Employees Covered by Benefit Terms

At July 1, 2018 (actuarial valuation date and measurement date), the following employees of Etowah City Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees eligible for future benefits	39
Active employees not eligible for future benefits *	1
	<hr/>
	41
	<hr/>

* *Note:* Non-grandfathered employees who retire after attaining eligibility for medicare benefits will not be eligible for coverage through the Local Education Employee Group

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, Etowah City Schools paid \$9,996 for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2018 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	6.75 percent for 2019, decreasing annually to an ultimate rate of 3.53 percent with 0.32 percent added to approximate the effect of the excise tax.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Etowah City Schools** (Continued)Closed Teacher Group OPEB Plan (Continued)Total OPEB Liability (Continued)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2018 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 3.62 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.

Change in Collective Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2017	\$ 280,289
Changes for the year:	
Service cost	23,123
Interest	10,624
Changes of benefit terms	-
Differences between expected and actual experience	(101,582)
Change in assumptions	6,633
Benefit payments	(9,996)
Net changes	(71,198)
Balances at June 30, 2018	\$ 209,091
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 60,616
Employer's proportionate share of the collective total OPEB liability	\$ 148,475
Employer's proportion of the collective total OPEB liability	71.01%

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Postemployment Benefits (Continued)**Etowah City Schools (Continued)**Closed Teacher Group OPEB Plan (Continued)Change in Collective Total OPEB Liability (Continued)

Etowah 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. Etowah 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% from the prior measurement date. Etowah City School recognized \$6,187 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Etowah City Schools retirees.

Changes in assumptions. The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. The assumed initial costs and premium amounts were revised to reflect rates adopted for the 2019 plan year. The assumed initial trend rate applicable to 2019 plan year was revised from 5.40% to 6.75%. These changes are reflected in the Schedule of Changes in 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 (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate:

	<u>1% Decrease (2.62%)</u>	<u>Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Proportionate share of collective total OPEB liability	\$ 161	\$ 148	\$ 137

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 (5.75% decreasing to 2.85%) or 1-percentage-point higher (7.50% decreasing to 4.85%) than the current healthcare cost trend rate:

	<u>1% Decrease (5.75% decreasing to 2.85%)</u>	<u>Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)</u>	<u>1% Increase (7.75% decreasing to 4.85%)</u>
Proportionate share of collective total OPEB liability	\$ 129	\$ 148	\$ 172

CITY OF ETOWAH, TENNESSEE
Notes to Basic Financial Statements
(Continued)

(8) Postemployment Benefits (Continued)

Etowah City Schools (Continued)

Closed Teacher Group OPEB Plan (Continued)

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

For the fiscal year ended June 30, 2019, Etowah City Schools recognized OPEB expense of \$24,250.

For the fiscal year ended June 30, 2019, Etowah City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 92,825
Changes of assumptions	6,061	12,988
Employer payments subsequent to the measurement date of June 30, 2018	<u>7,445</u>	<u>n/a</u>
Total	<u>\$ 13,506</u>	<u>\$ 105,813</u>

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:	
2020	\$ (9,497)
2021	(9,497)
2022	(9,497)
2023	(9,497)
2024	(9,497)
Thereafter	(52,267)

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

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Etowah City Schools** (Continued)Closed Tennessee PlanGeneral Information about the OPEB Plan

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

Benefits Provided – The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50.00 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.00. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees of Etowah City Schools was covered by the benefit terms of the TNP:

Inactive employees currently receiving payments	5
Inactive employees entitled to but not yet receiving benefit payments	5
Active employees	<u>25</u>
	<u>35</u>

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Etowah City Schools** (Continued)Closed Tennessee Plan (Continued)General Information about the OPEB Plan (Continued)

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and 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, the Etowah City Schools paid \$ 0 to the TNP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions – The collective total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period 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 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

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 postretirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Postretirement 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 3.62 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 ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Etowah City Schools** (Continued)Closed Tennessee Plan (Continued)Changes in Collective Total OPEB Liability

TNP

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 69,734
Changes for the year:	
Service cost	1,642
Interest	2,490
Changes of benefit terms	-
Differences between expected and actual experience	(5,939)
Change in assumptions	(573)
Benefit payments	(2,853)
Net changes	(5,233)
Total OPEB liability - ending balance	\$ 64,501
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 64,501
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

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

Changes in Assumptions – The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)Etowah City Schools (Continued)Closed Tennessee Plan (Continued)Changes in Collective Total OPEB Liability (Continued)

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 TNP, 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 or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Proportionate share of collective total OPEB liability	\$ -	\$ -	\$ -

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 TNP, 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 or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (5.75 % decreasing to 2.85%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)	1% Increase (7.75 % decreasing to 4.85%)
Proportionate share of collective total OPEB liability	\$ -	\$ -	\$ -

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

OPEB Expense – For the fiscal year ended June 30, 2019, Etowah City Schools recognized OPEB expense of \$0.00.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the fiscal year ended June 30, 2019, Etowah City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	-
Changes in proportion and differences between amounts paid as benefits came due and proportionate share of certain amounts paid by the employer and nonemployer contributors as the benefits came due	-	-
Employer payments subsequent to the measurement date	-	-
Total	\$ -	\$ -

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.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) (Continued)**Etowah Utilities Board OPEB Plan**General Information about the OPEB Plan

Plan Description – The Utilities Board's defined benefit OPEB plan (the "Plan"), provides OPEB for all employees retiring after age 55. The Plan is a single-employer defined benefit OPEB plan administered by the Utilities Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The Plan provides health and life insurance benefits for retirees and their spouse for up to three years or until the retiree reaches the age 65. The Utilities Board pays 100% of the medical and life premiums of the retiree and \$750 toward the dependent coverage. The Plan provides a life benefit of \$15,000. Coverage ceases at age 65 for both the retiree and their spouse.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	-
Active employees	52
	<u>60</u>

Total OPEB Liability

The Utilities Board's total OPEB liability of 239,241 was measured as of June 30, 2018, and determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.50 percent
Salary Increases	2.50 percent, average, including inflation
Discount rate	3.00 percent
Healthcare cost trend rates	8.00 percent for 2018, decreasing 1 percent per year to an ultimate rate of 5 percent for 2021 and later years
Retirees' share of benefit-related costs	Premiums exceeding \$750 per month for dependent coverage, if applicable

The discount rate was based on the Bond Buyer's 20 Year Bond Index as of July 1, 2018.

Mortality rates were based on the RP-2000 Combined Male and Female Fully Generational Mortality Table with projection scale AA.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) Plan (Continued)**Etowah Utilities Board OPEB Plan (Continued)**Total OPEB Liability (Continued)Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based upon the results of an actuarial experience study for the period from July 1, 2015 through July 1, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 7/1/17	\$ 226,117
Changes for the year:	
Service cost	9,347
Interest	8,882
Changes in assumptions and other inputs	6,895
Benefit payments	(12,000)
Net changes	13,124
Balance at 6/30/18	\$ 239,241

Changes in Assumptions – The discount rate was changed from 3.87% as of the beginning of the measurement period to 3.50% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utilities Board, as well as what the Utilities Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability (asset)	\$ 259,314	\$ 239,241	\$ 221,244

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(8) Other Postemployment Benefits (OPEB) Plan (Continued)**Etowah Utilities Board OPEB Plan (Continued)**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utilities Board, as well as what the Utilities Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing 1 percent until 4 percent is reached) or 1-percentage-point higher (9 percent decreasing 1 percent until 6 percent is reached) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing 1.00% until 4.00% is reached)	Healthcare Cost Trend Rates (8.00% decreasing 1.00% until 5.00% is reached)	1% Increase (9.00% decreasing 1.00% until 6.00% is reached)
Net OPEB liability (asset)	\$ 214,716	\$ 239,241	\$ 267,498

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

For the fiscal year ended June 30, 2019, the Utilities Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	3,452
Employer payments subsequent to the measurement date	-	-
	<u>\$ -</u>	<u>\$ 3,452</u>

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

For the year ended June 30:

2020	\$ (242)
2021	(242)
2022	(492)
2023	(563)
2024	(446)
Thereafter	(1,467)

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(9) Investment in Capital LeaseCity of Etowah, Tennessee

During 2002, the City completed construction of a 6,500 square foot building specifically built for the use by the U.S. Postal Service. On December 21, 2001 the City entered into a twenty-year lease with the Postal Service. The lease calls for the Postal Service to make monthly payments of \$8,163 through December 2021. At that time ownership of the building will pass to the Postal Service. The Postal Service's rent payments are intended to fund the City's debt service for the debt on the building.

The City has recorded the lease as a direct financing lease. Accordingly, the building and land have been removed from the City's statement of net position and the minimum future lease payments discounted at 7.86% (the rate of interest required to equate the monthly compounding of the lease payments to the semi-annual compounding required by the related debt) have been recorded in the general fund as an investment in capital lease. Only the rent payments that are due and meet the availability criteria have been reflected as revenue. The remaining unearned amounts are recorded as deferred revenue. Future minimum payments to be received under the lease are as follows:

<u>Year Ending June 30</u>	<u>Minimum Lease Payments</u>
2020	\$ 97,955
2021	97,955
Thereafter	<u>48,978</u>
	244,888
Amount representing interest	<u>23,214</u>
	<u>\$ 221,674</u>

(10) Facilities and Line RentalsEtowah Utilities Board

During 2012, the Utilities Board purchased a substation from TVA that they had rented use from in prior years. The Utilities Board still continues to pass \$26,422 per month of this cost to the customer for its portion of the substation usage.

The Utilities Board leases certain poles to telephone and cable companies for transmission and cable service. Rent received from each company is variable and is payable semi-annually. Pole rental received for the year ended June 30, 2019 totaled \$202,788. The Utilities Board also leases poles from one of the telephone companies for power transmission for \$1,045 per month.

Total rental income for the year ended June 30, 2019 was \$519,852. All rental income was from the electric department. Rental expense is included in distribution and collection expense.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(11) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2019 are as follows:

Due From:	Due To:				Total
	General Fund	General Purpose School Fund	Federal Projects School Fund	State Street Aid Fund	
General Fund	\$ -	\$ -	\$ -	\$ 22,423	\$ 22,423
State Street Aid	10,584	-	-	-	10,584
Sanitation Fund	60,306	-	-	-	60,306
General Purpose School Fund	-	-	7,245	-	7,245
Federal Projects School Fund	-	21,216	-	-	21,216
	<u>\$ 70,890</u>	<u>\$ 21,216</u>	<u>\$ 7,245</u>	<u>\$ 22,423</u>	<u>\$ 121,774</u>

The Etowah Utilities Board bills, collects and remits the sanitation charges for the sanitation services and the General Fund pays expenses for the Sanitation Fund from these funds.

The Federal Projects Fund will owe the General Purpose School Fund until a grant reimbursement is received.

The General Fund receives state street aid revenues that will be remitted to the State Street Aid Fund reported as a separate fund from the General Fund for the first time for the year ending June 30, 2019.

(12) Due From Other Governments

Amounts due from other governments at June 30, 2019 consist of the following:

McMinn County	Property Taxes	\$ 407,200
McMinn County	Local Sales Tax	112,215
McMinn County	Various other taxes - Schools	8,091
State of Tennessee	City Streets and Transportation	10,808
State of Tennessee	Sales Tax	54,871
State of Tennessee	Income Tax	5,498
State of Tennessee	Gasoline and Motor Fuel Tax	577
State of Tennessee	Business Tax	645
State of Tennessee	Various Grants	8,884
State of Tennessee	Other Taxes	304
		<u>\$ 609,093</u>

(13) Tennessee Valley Authority's Energy Right Program

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

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(14) Commitments

The Utilities Board Electric Department has a power contract with the Tennessee Valley Authority (TVA) whereby the Utilities Board purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. The contract has an evergreen provision for renewal.

The Utilities Board has long-term contracts with Tennessee Gas Pipeline East Tennessee Natural Gas Company for natural gas transportation and storage for its own use and for resale and distribution to its customers. These contracts expire in March and October 2025. The Utilities Board has an annual gas marketing agreement with Atmos Energy Marketing for the procurement of natural gas supply and management.

The Utilities Board's two largest gas customers purchase gas from the Utilities Board and from sources outside the East Tennessee Natural Gas supply system. The Utilities Board delivers the gas through its existing pipeline and bills those customers a pipeline charge which approximates the Utility Board's margin on gas sales. These contracts were renegotiated during 1999 for a period of 10 years. Effective July 1, 2009, the Utilities Board and the two customers have agreed to renew the contracts annually.

(15) Segment Information

The following departmental information is shown as of and for the year ended June 30, 2018:

	Electric Department	Gas Department	Water Department	Sewer Department
Assets:				
Current assets	\$ 6,053,879	\$ 6,932,615	\$ 4,193,388	\$ 2,040,870
Restricted assets	1,232,183	438,948	928,604	461,292
Capital assets	17,216,391	4,405,374	14,772,294	7,877,617
Other assets	108,040	-	-	-
Total assets	\$ 24,610,493	\$ 11,776,937	\$ 19,894,286	\$ 10,379,779
Deferred outflows of resources	\$ 664,483	\$ 445,296	\$ 1,643,030	\$ 130,422
Liabilities:				
Current liabilities payable from current assets	\$ 4,697,125	\$ 201,853	\$ 786,004	\$ 298,250
Long-term debt	3,475,000	965,000	7,648,214	2,905,837
Derivative instrument - interest rate swap	-	260,141	1,188,225	-
Net pension liability	1,271,487	505,718	809,760	288,369
Other liabilities	107,956	-	-	-
Total liabilities	\$ 9,551,568	\$ 1,932,712	\$ 10,432,203	\$ 3,492,456
Deferred inflows of resources	\$ 316,038	\$ 115,496	\$ 200,158	\$ 89,411
Net position:				
Net investment in capital assets	\$ 13,421,391	\$ 3,340,374	\$ 6,868,969	\$ 4,851,464
Restricted for debt service	1,223,742	438,948	928,604	461,292
Unrestricted	762,237	6,394,703	3,107,382	1,628,927
	\$ 15,407,370	\$ 10,174,025	\$ 10,904,955	\$ 6,941,683

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(15) Segment Information (Continued)

	Electric Department	Gas Department	Water Department	Sewer Department
Operating revenues	\$ 21,850,382	\$ 7,455,721	\$ 3,724,196	\$ 1,616,684
Operating expenses:				
Purchasing energy	16,996,999	5,143,709	-	-
Distribution and treatment	161,607	60,208	799,810	467,336
Customer account services	241,901	144,628	190,372	35,412
Administration and general	1,008,377	436,992	614,044	289,647
Maintenance	755,256	402,491	395,097	216,734
Depreciation	949,240	177,223	875,717	195,579
	20,113,380	6,365,251	2,875,040	1,204,708
Operating income	1,737,002	1,090,470	849,156	411,976
Non-operating revenues (expenses):				
Interest income	62,068	92,100	86,147	30,131
Interest expense	(105,846)	(57,753)	(367,844)	(54,085)
Amortization of debt expense	(4,131)	(2,043)	(5,508)	(99)
Gain on the sale of assets	4,000	-	-	-
	(43,909)	32,304	(287,205)	(24,053)
Income before contributions and transfers	1,693,093	1,122,774	561,951	387,923
Government contributions	-	-	7,015	11,563
Transfers to local government - in lieu of tax	(417,195)	(126,517)	-	-
Change in net position	1,275,898	996,257	568,966	399,486
Net position, beginning	14,131,472	9,177,768	10,335,989	6,542,197
Net position, ending	\$ 15,407,370	\$ 10,174,025	\$ 10,904,955	\$ 6,941,683
Net cash provided by operating activities	\$ 2,558,484	\$ 1,132,723	\$ 1,700,761	\$ 645,355
Net cash provided (used) by noncapital and related financing activities	(458,118)	(108,536)	12,941	10,001
Net cash used by capital and related financing activities	(1,336,182)	(224,942)	(1,045,361)	(243,625)
Net cash provided by investing activities	89,131	92,100	86,147	30,131
Net increase in cash and cash equivalents	853,315	891,345	754,488	441,862
Cash and cash equivalents, beginning of year	3,983,080	5,895,789	3,662,416	1,784,618
Cash and cash equivalents, end of year	\$ 4,836,395	\$ 6,787,134	\$ 4,416,904	\$ 2,226,480

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(16) 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.

(17) Concentration of Credit Risk

The Utilities Board sells electric power, natural gas, water and sewer services, on credit terms, to residential, industrial and commercial customers located in and around the City of Etowah, Tennessee. Approximately thirty-nine large lighting and power customers comprise approximately 57% of electric revenue for 2019. Gas sales to three customers comprise approximately 86% of gas revenue for 2019. Water sales to three gas customers comprise 32% of water revenue for 2019. Sewer sales to two of the three water customers mentioned above comprise 56% of sewer revenue for 2019.

(18) Operating Transfers

Operating transfers for the year ended June 30, 2019 are as follows:

Transfers From:	Transfers To:			
	General Purpose School Fund	Sanitation Fund	State Street Aid Fund	Total
General Fund	\$ 243,395	\$ 23,129	\$ 100,188	\$ 366,712
	<u>\$ 243,395</u>	<u>\$ 23,129</u>	<u>\$ 100,188</u>	<u>\$ 366,712</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 and contribute a one-time contribution of \$100,000.

The purpose of the transfer to the Sanitation Fund from the General Fund is to pay costs of capital outlays and expenses for the Sanitation Fund in the current year.

The purpose of the transfer to the State Street Aid Fund from the General Fund was to provide funds for capital outlay paving and lighting projects.

(19) Fair Value Measurements

The Utilities Board Categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF ETOWAH, TENNESSEE

Notes to Basic Financial Statements
(Continued)(19) Fair Value Measurements (Continued)

The Utilities Board has the following recurring fair value measurements as of June 30, 2019:

- \$7.525M 63.0% CMS Swap Rev A-9-A/Rev VII-G-1 is valued using 5-year forward CMS/3M LIBOR Zero Curve/A Rated General Obligation Curve/LIBOR Swaption Volatility (Level 2 inputs)

(20) Litigation

From time to time there are lawsuits filed against the City of Etowah, Tennessee and the Etowah City School Board of Education. Management vigorously defends any complaints that results in actual litigation.

Currently, there is one significant lawsuit in which the City is involved as a defendant. The lawsuit alleges damages to the plaintiff from a fall during a City Police Department arrest of the plaintiff. Management is vigorously defending this lawsuit and does not believe any potential losses resulting from this case will be significant to the City's net financial position.

Also, there is one significant lawsuit in which the Board of Education is involved as a defendant. The lawsuit filed by the parents of a student alleges damages and injuries occurred to their daughter from a fall at the Etowah City School's outside playground. Management of the Board of Education is vigorously defending this lawsuit and does not believe any potential losses resulting from this case will be significant to the Board of Education's net financial position.

(21) Subsequent Events

Management has evaluated subsequent events through March 5, 2020, which is the date these financial statements were available for distribution.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ETOWAH, TENNESSEE

Schedule of Changes in City's
Total OPEB Liability and Related Ratios

For the Last 10 Fiscal Years Ended on June 30*

	2018	2019
Total OPEB liability		
Service cost	\$ 27,260	\$ 28,318
Interest	5,147	4,917
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(11,086)	(11,086)
Net change in total OPEB liability	21,321	22,149
Total OPEB liability - beginning	110,939	132,260
Total OPEB liability - ending (a)	\$ 132,260	\$ 154,409
Covered payroll	\$ 1,519,902	\$ 1,145,870
Total OPEB liability as a percentage of covered payroll	8.70%	13.48%

* This schedule 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 - City of Etowah OPEB Plan:

Valuation Date: 6/30/2018

Measurement Date: 6/30/2019

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method: Entry age normal

Inflation: 3.00%

Discount Rate: 3.88%

Salary increases: 2.50%

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: RPH-2014 Total Table with Projection MP - 2017

Healthcare cost trend rates: 5.50%

Other information:

Notes: See the Actuarial Valuation Report as of June 30, 2019

There were no benefit changes during the measurement period.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Changes in Etowah City Schools' Total OPEB Liability and Related Ratios
Based on Participation in the Closed Teacher Group OPEB Plan (TGOP)

Last Measurement Date Ending June 30*

	2017	2018
Collective Total OPEB Liability		
Service cost	\$ 24,920	\$ 23,123
Interest on the total OPEB liability	8,510	10,624
Changes of benefit terms	-	-
Differences between expected and actual experience of the total OPEB liability	-	(101,582)
Change in assumptions and other inputs	(15,612)	6,633
Benefit payments	(8,070)	(9,996)
Net change in total OPEB liability	9,748	(71,198)
Total OPEB liability - beginning	270,541	280,289
Total OPEB liability - ending	\$ 280,289	\$ 209,091
Proportion Determination	N/A	N/A
Employer's actuarial accrued liability	189,065	148,475
Collective actuarial accrued liability	280,289	209,091
Employer's portion	0.674536	0.710098
State's portion	0.325464	0.289902
Employer's share of the total OPEB liability - beginning	182,490	189,065
Employer's share of the total OPEB liability - ending	189,065	148,475
Estimated covered payroll	N/A	N/A
Employer's total OPEB liability as a percentage of covered payroll	N/A	N/A

* This schedule 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.

Change in Proportion in TOL	9,968
Change in Proportion in Prior Period Net Deferred Outflows	509
Difference Between Benefits Paid by Employer and Employer's Share of Collective Benefits Paid	(693)
Total Outflow (Inflow) due to Change in Proportion and the Difference Between Benefit Paid and Share of Total Benefit	9,784
Amount Recognized in the Current Period	843
Amount Deferred	8,941

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Notes to Required Supplementary Information - Closed Teacher Group OPEB Plan (TGOP)
Etowah City Schools

June 30, 2019

Notes to Schedule - TGOP - OPEB Plan

Valuation Date: 6/30/2018

Measurement Date 6/30/2018

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method Entry age normal

Inflation 2.25%

Discount Rate 3.62%

Salary increases Salary increases used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation

Retirement age Retirement rates used in the July 1, 2018 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, 2018 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 6.75% for 2019 calendar year, and gradually decreasing 32 year period to an ultimate trend rate of 3.53% with 0.32% 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, 2018.

Following changes in assumptions and other inputs were made:

- The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018.
- The assumed initial costs and premium amounts were revised to reflect rates adopted for the 2019 plan year.
- The assumed initial trend rate applicable to 2019 plan year was revised from 5.40% to 6.75%.

These changes are reflected in the Schedule of Changes in Total OPEB Liability.

There were no benefit changes during the measurement period.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Changes in Total OPEB Liability and Related Ratios
Etowah Utilities

For the Last 10 Measurement Periods Ended on June 30*

	2018	2017
Total OPEB liability		
Service cost	\$ 9,347	\$ 9,474
Interest	8,882	8,283
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	6,895	(5,473)
Benefit payments	(12,000)	(16,017)
Net change in total OPEB liability	13,124	(3,733)
Total OPEB liability - beginning	226,117	229,850
Total OPEB liability - ending (a)	<u>\$ 239,241</u>	<u>\$ 226,117</u>
Covered payroll	\$ 3,148,264	\$ 3,071,477
Total OPEB liability as a percentage of covered payroll	7.60%	7.36%

Notes to Schedule*Changes of benefit terms* - None*Changes in assumptions* - Discount rate decreased from 3.87% to 3.50%

The healthcare cost trend rate was reset at 9.0% for 2017, grading down 1.0% per annum to an ultimate trend rate of 5.0% for year 2021 and later.

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

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

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

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

OPEB - Closed Tennessee Plan (TNP)
 Schedule of Changes in Etowah City Schools' Proportionate Share
 of Collective OPEB Liability and Related Ratios

Last Measurement Date Ending June 30*

	2018	2017
A. Collective Total OPEB Liability		
1. Service Cost	\$ 1,642	\$ 2,008
2. Interest on the Total OPEB Liability	2,490	2,194
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience of the Total OPEB Liability	(5,939)	0
5. Changes in assumptions and other inputs	(573)	(6,165)
6. Benefit payments	(2,853)	(2,850)
7. Net Change in Total OPEB Liability	(5,233)	(4,813)
8. Total OPEB Liability - Beginning	69,734	74,547
9. Total OPEB Liability - Ending	\$ 64,501	\$ 69,734
B. Proportion Determination	N/A	N/A
1. Employer's Actuarial Accrued Liability	0	0
2. Collective Actuarial Accrued Liability	64,501	69,734
3. Employer's Proportion	0.00%	0.00%
3. State's Proportion	100.00%	100.00%
4. Employer's Share of the Total OPEB Liability - Beginning	0	0
5. Employer's Share of the Total OPEB Liability - Ending	0	0
C. Estimated Covered Payroll	N/A	N/A
D. Employer's Total OPEB Liability as a Percentage of Covered Payroll	N/A	N/A

* Additional years will be added in the future until 10 years of information is available.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Notes to Required Supplementary Information - OPEB - Closed Tennessee Plan (TNP)
Etowah City Schools**Notes to Schedule - TNP - OPEB Plan**

Valuation Date: June 30, 2018

Measurement Date: June 30, 2018

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry Age Normal.
Inflation	2.25%
Discount Rate	3.62%
Salary increases	Salary increase rates used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation.
Retirement age	Retirement rates used in the July 1, 2018 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, 2018 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	None, premium subsidies provided by the State and the Employer are assumed to remain unchanged for the entire projection.
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, 2018.

Changes in assumptions and other inputs include the change in the discount rate from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change is reflected in the Schedule of Changes in Etowah City Schools' Proportionate Share of Collective OPEB Liability.

There were no benefit changes during the measurement period.

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

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

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ending June 30*

	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 136,944	\$ 135,757	\$ 145,205	\$ 193,179
Interest	293,602	301,348	303,074	318,186
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(70,689)	(161,206)	266	(122,271)
Change of assumptions	-	-	99,763	-
Benefit payments, including refunds of employee contributions	(233,503)	(277,287)	(247,380)	(249,618)
Net change in total pension liability	126,354	(1,388)	300,928	139,476
Total pension liability - beginning	3,894,507	4,020,861	4,019,473	4,320,401
Total pension liability - ending (a)	\$ 4,020,861	\$ 4,019,473	\$ 4,320,401	\$ 4,459,877
Plan fiduciary net position				
Contributions - employer	\$ 54,287	\$ 55,159	\$ 59,875	\$ 61,883
Contributions - employee	67,532	67,763	76,079	81,334
Net investment income	124,502	106,923	453,604	360,465
Benefit payments, including refunds of employee contributions	(233,503)	(277,287)	(247,380)	(249,618)
Administrative expense	(2,375)	(3,853)	(4,341)	(4,929)
Net change in plan fiduciary net position	10,443	(51,295)	337,837	249,135
Plan fiduciary net position - beginning	4,101,307	4,111,750	4,060,455	4,398,292
Plan fiduciary net position - ending (b)	\$ 4,111,750	\$ 4,060,455	\$ 4,398,292	\$ 4,647,427
Net pension liability (asset) - ending (a)-(b)	\$ (90,889)	\$ (40,982)	\$ (77,891)	\$ (187,550)
Plan fiduciary net position as a percentage of total pension liability	102.26%	101.02%	101.80%	104.21%
Covered payroll	\$ 1,334,319	\$ 1,355,254	\$ 1,471,142	\$ 1,520,472
Net pension liability (asset) as a percentage of covered payroll	-6.81%	-3.02%	-5.29%	-12.33%

Notes to Schedule:

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.

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

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of the City's Contributions Based on Participation
in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ending June 30*

	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 54,287	\$ 55,159	\$ 59,875	\$ 61,860	\$ 72,223
Contributions in relation to the actuarially determined contribution	54,287	55,159	59,875	61,860	72,223
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,334,319	\$ 1,355,258	\$ 1,471,142	\$ 1,519,902	\$ 1,467,947
Contributions as a percentage of covered payroll	4.07%	4.07%	4.07%	4.07%	4.92%

This is a 10-year schedule;

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

Notes to Schedule - PSPP Plan

Valuation date: Actuarially determined contribution rates for fiscal year 2019 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	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation
Investment Rate of Return	7.25 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	2.25 percent

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.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Etowah City School System's
Proportionate Share of the Net Pension Asset
Teacher Legacy Pension Plan of TCRS

Last Fiscal Year Ending June 30*

	2015	2016	2017	2018
Etowah City School System's proportion of the net pension asset	0.036109%	0.038859%	0.036734%	0.381810%
Etowah City School System's proportionate share of the net pension asset	\$ 14,792	\$ 242,848	\$ (12,020)	\$ (134,354)
Etowah City School System's covered payroll	\$ 1,351,754	\$ 1,402,735	\$ 1,373,580	\$ 1,336,961
Etowah City School System's proportionate share of the net pension asset as a percentage of its covered payroll	1.094251%	17.310000%	0.880000%	10.050000%
Plan fiduciary net position as a percentage of the total pension liability	99.81%	97.14%	100.14%	104.49%

The amounts presented were determined as of June 30 of the prior fiscal year.

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

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Etowah City School System's Contributions
Teacher Legacy Pension Plan of TCRS

Last Fiscal Year Ending June 30*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 122,198	\$ 126,808	\$ 117,387	\$ 121,396	\$ 127,598
Contributions in relation to the contractually required contribution	<u>122,198</u>	<u>126,808</u>	<u>117,387</u>	<u>121,396</u>	<u>127,598</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,351,754	\$ 1,402,743	\$ 1,373,580	\$ 1,336,961	\$ 1,219,866
Contributions as a percentage of covered payroll	9.04%	9.04%	8.55%	9.08%	10.46%

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

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.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Etowah City School System's
Proportionate Share of the Net Pension Asset
Teacher Retirement Plan of TCRS

Last Fiscal Year Ending June 30*

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Etowah City School System's proportion of the net pension asset	0.017539%	0.030255%	0.021107%
Etowah City School System's proportionate share of the net pension asset	\$ (1,826)	\$ (7,983)	\$ (9,573)
Etowah City School System's covered payroll	\$ 77,175	\$ 123,521	\$ 184,450
Etowah City School System's proportionate share of the net pension asset as a percentage of its covered payroll	-2.37%	-6.46%	-5.19%
Plan fiduciary net position as a percentage of the total pension liability	121.88%	126.81%	126.97%

The amounts presented were determined as of June 30 of the prior fiscal year.

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

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Etowah City School System's Contributions
Teacher Retirement Plan of TCRS

Last Fiscal Year Ending June 30*

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 3,087	\$ 7,943	\$ 3,008	\$ 5,335
Contributions in relation to the actuarially determined contribution	<u>3,087</u>	<u>7,943</u>	<u>7,378</u>	<u>5,335</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,370)</u>	<u>\$ -</u>
 Etowah City School System's covered payroll	 \$ 77,175	 \$ 123,521	 \$ 184,450	 \$ 275,000
Contributions as a percentage of Etowah City School System's covered payroll	4.00%	6.43%	4.00%	1.94%

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

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.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Changes in Etowah Utilities Board's Net Pension Liability and Related Ratios

Last 10 Fiscal Years (Only applicable after 2014)*

Measurement period ended	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Total Pension Liability					
Service cost	\$ 276,541	\$ 274,463	\$ 231,227	\$ 238,675	\$ 230,604
Interest	787,763	773,079	706,859	657,836	619,028
Changes of benefit terms	132,768	155,218	-	-	-
Differences between expected and actual experience	91,153	(67,382)	375,038	(21,958)	-
Changes of assumptions	(232,975)	(456,805)	-	514,622	-
Benefit payments, including refunds of employee contributions	(509,307)	(448,007)	(438,123)	(369,062)	(312,491)
Net Change in Total Pension Liability	545,943	230,566	875,001	1,020,113	537,141
Total Pension Liability - Beginning	10,839,349	10,608,783	9,733,782	8,713,669	8,176,528
Total Pension Liability - Ending (a)	\$ 11,385,292	\$ 10,839,349	\$ 10,608,783	\$ 9,733,782	\$ 8,713,669
Plan Fiduciary Net Position					
Contributions - employer	\$ 624,000	\$ 552,000	\$ 528,941	\$ 492,042	\$ 420,840
Contributions - employee	-	-	-	-	-
Net investment income	730,214	841,391	(39,513)	158,076	859,837
Benefit payments, including refunds of employee contributions	(509,307)	(448,007)	(438,123)	(369,062)	(312,491)
Administrative expenses	(4,643)	(5,169)	(2,119)	(1,538)	(1,318)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	840,264	940,215	49,186	279,518	966,868
Plan Fiduciary Net Position - Beginning	7,669,694	6,729,479	6,680,293	6,400,775	5,433,907
Plan Fiduciary Net Position - Ending (b)	\$ 8,509,958	\$ 7,669,694	\$ 6,729,479	\$ 6,680,293	\$ 6,400,775
Net Pension Liability - Ending (a) - (b)	\$ 2,875,334	\$ 3,169,655	\$ 3,879,304	\$ 3,053,489	\$ 2,312,894
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	74.75%	70.76%	63.43%	68.63%	73.46%
Covered payroll	\$ 2,734,357	\$ 2,511,370	\$ 2,431,049	\$ 2,227,007	\$ 2,429,564
Net Pension Liability as a percentage of covered payroll	105.16%	126.21%	159.57%	137.11%	95.20%

Notes to Schedule

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal 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 ETOWAH, TENNESSEE

Schedule of Etowah Utilities Board Contributions

Last 10 Fiscal Years (Only applicable after 2014)**

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 543,773	\$ 589,532	\$ 512,316	\$ 448,218	\$ 448,218	\$ 454,816
Contributions in relation to the actuarially determined contribution	672,000	624,000	552,000	528,941	492,042	420,840
Contribution deficiency (excess)	<u>\$ (128,227)</u>	<u>\$ (34,468)</u>	<u>\$ (39,684)</u>	<u>\$ (80,723)</u>	<u>\$ (43,824)</u>	<u>\$ 33,976</u>
Covered payroll	\$2,955,321	\$2,734,357	\$2,511,370	\$2,431,049	\$2,227,007	\$2,429,564
Contributions as a percentage of covered payroll	22.74%	22.82%	21.98%	21.76%	22.09%	17.32%

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:	Individual Entry Age Normal, level percentage of compensation
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	26 years as of 7/1/18
Asset valuation method:	Five-year asset average spreading investment gains and losses
Salary increases:	3.50%
Cost of living increases:	N/A
Investment rate of return:	7.25% per annum. Prior year rate was 7.25% per annum
Retirement age:	50% at age 62, 50% at age 65
Mortality:	Pre-Retirement: IRS 2018 Optional Combined Table Post Retirement: TCRS Mortality
Disabled mortality:	N/A

* This is a summary of the methods and assumptions for the 7/1/2017 to 6/30/2018 plan year.

Schedule of Investment Returns

Measurement period ended June 30,	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return net of investment expense	5.93%	9.45%	12.44%	-0.53%	2.43%	15.68%

** 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 ETOWAH, TENNESSEE
 Schedule of Expenditures of Federal and State Awards (1)
 For the Fiscal Year Ended June 30, 2019

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Expenditures (Grantor Portion)
FEDERAL ASSISTANCE:				
USDA Section 4 and 11 Lunches	U.S. Department of Agriculture through TN Department of Education	N/A	10.555 (2)	\$ 170,525 (2)
USDA Breakfast Program	U.S. Department of Agriculture through TN Department of Education	N/A	10.553	103,651
USDA Snack Program	U.S. Department of Agriculture through TN Department of Education	N/A	10.555 (2)	3,928 (2)
Cash Rebate - Commodities Program	U.S. Department of Agriculture through TN Department of Education	N/A	10.568	<u>852</u>
				<u>278,954</u>
Title I	U.S. Department of Education through TN Department of Education	N/A	84.010	121,381
Title IA	U.S. Department of Education through TN Department of Education	N/A	84.010A	11,230
Title II - Part A Training	U.S. Department of Education through TN Department of Education	N/A	84.387	11,838
Title IV - Part B - 21st Century Community Learning Centers	U.S. Department of Education through TN Department of Education	N/A	84.287	78,550
REAP	U.S. Department of Education through TN Department of Education	N/A	84.358A	18,061
Idea - Part B	U.S. Department of Education through TN Department of Education	N/A	84.027 (3)	24,025 (3)
Idea - Part B	U.S. Department of Education through TN Department of Education	N/A	84.027 (3)	71,240 (3)
Idea - Part B - Preschool	U.S. Department of Education through TN Department of Education	N/A	84.173 (3)	4,211 (3)
TAP Grant - Pass Through	U.S. Department of Education through TN Department of Education	N/A	84.374	<u>7,991</u>
				<u>348,305</u>
GHSO Grant	U.S. Department of Transportation through TN Department of Transportation	N/A	20.807	2,847
GHSO Grant	U.S. Department of Transportation through TN Department of Transportation	N/A	20.807	<u>1,401</u>
				<u>4,048</u>
Tourism Enhancement Grant	Appalachian Regional Commission through TN Department of Economic and Community Development	52815	23.001	<u>13,332</u>
Assistance to Firefighters Grant	U.S. Department of Homeland Security	2017-F6-C111-P4310000-4101-D	97.044	<u>55,014</u>
2017 CDBG - Sewer System Improvements	U.S. Department of Housing and Urban Development through TN Department of Economic and Community Development	304320-12018	14.226	<u>11,583</u>
SUBTOTAL OF FEDERAL ASSISTANCE				709,218
FEDERAL ASSISTANCE - NONCASH:				
Commodities Program	U.S. Department of Agriculture through TN Department of Education	N/A	10.555	<u>21,515</u>
TOTAL OF FEDERAL ASSISTANCE				<u>730,731</u>

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Total for Breakfast, Lunch and Snack Cluster (CFDA No. 10.555) is \$175,303.
- (3) Total for IDEA Part B Cluster (CFDA No. 84.027 and No. 84.173) is \$99,476.
- (4) Etowah City Schools has elected to not use an indirect cost allocation for any Restricted Programs, as allowed under the Uniform Guidance.

(Continued)

CITY OF ETOWAH, TENNESSEE
Schedule of Expenditures of Federal and State Awards (1)
(Continued)

For the Fiscal Year Ended June 30, 2019

<u>Name of Grant</u>	<u>Grantor Agency</u>	<u>Program Identification or Contract Number</u>	<u>CFDA Number</u>	<u>Expenditures (Grantor Portion)</u>
STATE ASSISTANCE:				
Early Childhood Education	Tennessee Department of Education	N/A	N/A	\$ 95,595
Safe Schools	Tennessee Department of Education	N/A	N/A	14,240
Coordinated School Health	Tennessee Department of Education	N/A	N/A	80,000
Ready to Be Ready	Tennessee Department of Education	N/A	N/A	10,000
Impact Aid	Tennessee Department of Education	N/A	N/A	6,109
Used Oil Grant	Tennessee Environment and Conservation	N/A	N/A	8,091
Mural Grant	Tennessee Arts Commission	N/A	N/A	3,200
Library Grant	Tennessee State Library and Archives	30504-02017-13	N/A	<u>1,520</u>
TOTAL STATE ASSISTANCE				<u>218,755</u>
TOTAL FINANCIAL ASSISTANCE				<u>\$ 949,486</u>

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
Schedule of Expenditures of Noncash Federal Awards (1)
June 30, 2019

Name of Grant	Grantor Agency	Program Identification or Contract Number	CFDA Number	Balance July 1, 2018		Receipts	Expenditures (Grantor Portion)	Refunds or Transfers to (from) New Program Year	Balance June 30, 2019	
				Receivable	Unexpended				Receivable	Unexpended
<u>Federal Awards</u>										
Noncash:										
USDA Commodities Program	U.S. Department of Agriculture through TN Department of Education	N/A	10.555	\$ -	\$ -	\$ 21,515	\$ 21,515 (2)	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ 21,515	\$ 21,515	\$ -	\$ -	\$ -

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Expenditures are included in the Schedule of Expenditures of Federal and State Awards.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2019

ASSETS	Special Revenue Funds							Total Nonmajor Governmental Funds
	Drug Enforcement Fund	Sanitation Fund	State Street Aid	Gem Theatre Fund	Economic Development Fund	Federal Projects School Fund	Cafeteria Fund	
Assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,195	\$ 35,798	\$ -	\$ -	\$ 36,993
Receivables -								
Due from other funds	-	-	-	-	-	-	-	-
Restricted assets:								
Cash and cash equivalents	40,339	124,635	61,849	-	-	39,693	76,338	342,854
Receivables -								
Other accounts receivable	-	-	11,386	-	-	-	-	11,386
Due from other funds	-	53,881	22,423	-	-	7,245	-	83,549
Due from governmental units	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	21,964	21,964
Total assets	\$ 40,339	\$ 178,516	\$ 95,658	\$ 1,195	\$ 35,798	\$ 46,938	\$ 98,302	\$ 496,746
LIABILITIES AND FUND BALANCES								
Liabilities (payable from restricted assets):								
Accounts payable	\$ -	\$ 6,237	\$ 168	\$ -	\$ -	\$ 33	\$ -	\$ 6,438
Due to other funds	-	60,306	10,584	-	-	21,216	-	92,106
Accrued liabilities	-	-	-	-	-	18,322	1,285	19,607
Funds held in trust	219	-	-	-	-	-	-	219
Total liabilities	219	66,543	10,752	-	-	39,571	1,285	118,370
Deferred inflows of resources:								
Deferred revenue	-	-	-	-	-	7,245	-	7,245
Total deferred inflows of resources	-	-	-	-	-	7,245	-	7,245
Fund balances:								
Nonspendable:								
Inventories	-	-	-	-	-	-	21,964	21,964
Restricted	40,120	111,973	84,906	-	-	122	75,053	312,174
Assigned	-	-	-	1,195	35,798	-	-	36,993
Total fund balances	40,120	111,973	84,906	1,195	35,798	122	97,017	371,131
Total liabilities and fund balances	\$ 40,339	\$ 178,516	\$ 95,658	\$ 1,195	\$ 35,798	\$ 46,938	\$ 98,302	\$ 496,746

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	Special Revenue Funds											
	Drug Enforcement Fund				Sanitation Fund				Gem Theatre Fund			
	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Revenues:												
Intergovernmental revenues:												
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-	-	8,091	-	-	-	-	-
State of Tennessee - Gas Tax	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	337,500	337,500	326,698	340,469	-	-	-	-
Drug related fines	6,000	6,000	7,405	19,316	-	-	-	-	-	-	-	-
Miscellaneous revenue	6,100	6,100	-	1,434	12,500	12,500	18,844	-	-	-	-	-
Interest	10	10	20	9	75	75	82	12	-	-	1	-
Total revenues	12,110	12,110	7,425	20,759	350,075	350,075	353,715	340,481	-	-	1	-
Expenditures:												
Personal services	-	-	-	-	230,189	230,189	225,591	216,563	-	-	-	-
Contractual services	2,110	2,110	-	-	70,360	95,580	89,735	61,190	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	4,000	4,000	1,589	2,397	26,450	36,750	30,129	21,711	-	-	-	-
Debt service	-	-	-	-	11,972	11,972	11,971	-	-	-	-	-
Capital outlay	-	-	3,750	9,619	-	-	7,602	5,605	-	-	-	-
Other charges	6,000	6,000	-	6,222	-	-	11	-	-	-	-	-
Total expenditures	12,110	12,110	5,339	18,238	338,971	374,491	365,039	305,069	-	-	-	-
Revenues over (under) expenditures	-	-	2,086	2,521	11,104	(24,416)	(11,324)	35,412	-	-	1	-
Other financing sources (uses):												
Transfers in (out)	-	-	1,987	-	-	-	23,129	16,381	-	-	-	-
Total other financing sources (uses)	-	-	1,987	-	-	-	23,129	16,381	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	4,073	2,521	11,104	(24,416)	11,805	51,793	-	-	1	-
Fund balance, beginning	36,047	36,047	36,047	33,526	100,168	100,168	100,168	48,375	1,194	1,194	1,194	1,194
Fund balance, ending	\$ 36,047	\$ 36,047	\$ 40,120	\$ 36,047	\$ 111,272	\$ 75,752	\$ 111,973	\$ 100,168	\$ 1,194	\$ 1,194	\$ 1,195	\$ 1,194

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

Special Revenue Funds											
Economic Development Fund				State Street Aid				Schools - Federal Projects Fund			
2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Revenues:											
Intergovernmental revenues:											
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,029	\$ 425,936	\$ 339,061	\$ 524,113
State grants	-	-	-	-	-	-	-	-	-	-	-
State of Tennessee - Gas Tax	-	-	-	104,500	102,000	129,494	124,056	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Drug related fines	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	14,544	-	-	-	-	-
Interest	-	-	25	14	-	56	-	-	-	-	-
Total revenues	-	-	25	14	104,500	102,000	144,094	255,029	425,936	339,061	524,113
Expenditures:											
Personal services	-	-	-	-	-	-	-	201,713	283,684	269,907	430,687
Contractual services	-	-	-	-	-	-	-	18,276	41,328	9,946	30,843
Street lighting	-	-	-	102,000	120,000	104,656	46,627	-	-	-	-
Supplies	-	-	-	-	5,000	4,318	-	19,540	32,863	18,702	24,909
Debt service	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	52,500	73,000	71,848	93,666	10,000	53,061	30,767	27,023
Other charges	-	10,400	10,400	-	-	-	-	5,500	15,000	9,739	10,651
Total expenditures	-	10,400	10,400	-	154,500	198,000	180,822	255,029	425,936	339,061	524,113
Revenues over (under) expenditures	-	(10,400)	(10,375)	14	(50,000)	(96,000)	(36,728)	-	-	-	-
Other financing sources (uses):											
Transfers in (out)	-	-	-	-	50,000	128,000	100,188	-	-	-	-
Total other financing sources (uses)	-	-	-	-	50,000	128,000	100,188	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	-	(10,400)	(10,375)	14	-	32,000	63,460	21,446	-	-	-
Fund balance, beginning	46,173	46,173	46,173	46,159	21,446	21,446	21,446	-	122	122	122
Fund balance, ending	<u>\$ 46,173</u>	<u>\$ 35,773</u>	<u>\$ 35,798</u>	<u>\$ 46,173</u>	<u>\$ 21,446</u>	<u>\$ 53,446</u>	<u>\$ 84,906</u>	<u>\$ 21,446</u>	<u>\$ 122</u>	<u>\$ 122</u>	<u>\$ 122</u>

(Continued)

CITY OF ETOWAH, 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, 2019
(With Comparative Totals for the Fiscal Year Ended June 30, 2018)

	Special Revenue Funds (Cont'd)				Total Nonmajor Governmental Funds			
	Schools - Cafeteria Fund							
	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual	2019 Original Budget	2019 Final Budget	2019 Actual	2018 Actual
Revenues:								
Intergovernmental revenues:								
Federal grants	\$ 253,462	\$ 253,462	\$ 300,469	\$ 284,277	\$ 508,491	\$ 679,398	\$ 639,530	\$ 808,390
State grants	2,000	2,000	2,866	2,581	2,000	2,000	10,957	2,581
State of Tennessee - Gas Tax	-	-	-	-	104,500	102,000	129,494	124,056
Charges for services	15,800	15,800	18,254	17,741	353,300	353,300	344,952	358,210
Drug related fines	-	-	-	-	6,000	6,000	7,405	19,316
Miscellaneous revenue	-	-	-	28	18,600	18,600	33,388	1,462
Interest	-	-	15	13	85	85	199	48
Total revenues	<u>271,262</u>	<u>271,262</u>	<u>321,604</u>	<u>304,640</u>	<u>992,976</u>	<u>1,161,383</u>	<u>1,165,925</u>	<u>1,314,063</u>
Expenditures:								
Personal services	124,406	124,406	114,632	105,721	556,308	638,279	610,130	752,971
Contractual services	12,000	12,000	3,225	3,443	102,746	151,018	102,906	95,476
Street lighting	-	-	-	-	102,000	120,000	104,656	46,627
Supplies	133,231	133,231	171,440	170,123	183,221	206,844	226,178	219,140
Debt service	-	-	-	-	11,972	11,972	11,971	-
Capital outlay	-	-	13,955	14,675	62,500	126,061	127,922	150,588
Other charges	1,625	1,625	282	1,499	13,125	33,025	20,432	18,372
Total expenditures	<u>271,262</u>	<u>271,262</u>	<u>303,534</u>	<u>295,461</u>	<u>1,031,872</u>	<u>1,287,199</u>	<u>1,204,195</u>	<u>1,283,174</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>18,070</u>	<u>9,179</u>	<u>(38,896)</u>	<u>(125,816)</u>	<u>(38,270)</u>	<u>30,889</u>
Other financing sources (uses):								
Transfers in (out)	-	-	-	-	-	-	125,304	54,064
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,304</u>	<u>54,064</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>18,070</u>	<u>9,179</u>	<u>(38,896)</u>	<u>(125,816)</u>	<u>87,034</u>	<u>84,953</u>
Fund balance, beginning	<u>78,947</u>	<u>78,947</u>	<u>78,947</u>	<u>69,768</u>	<u>262,651</u>	<u>262,651</u>	<u>284,097</u>	<u>199,144</u>
Fund balance, ending	<u>\$ 78,947</u>	<u>\$ 78,947</u>	<u>\$ 97,017</u>	<u>\$ 78,947</u>	<u>\$ 223,755</u>	<u>\$ 136,835</u>	<u>\$ 371,131</u>	<u>\$ 284,097</u>

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities

June 30, 2019

Year Ending June 30	General Obligation Bond Series 2013 A 2.00% - 3.00%		USDA Rural Development Bond 3.375%		General Obligation Capital Outlay Note Series 2012 2.48%		General Obligation Capital Outlay Note Series 2015 3.15%		Local Government Public Improvement Bond Series VII-G-1 5.00%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 75,000	\$ 3,000	\$ 11,716	\$ 3,344	\$ 23,426	\$ 789	\$ 11,245	\$ 726	\$ 20,000	\$ 23,750
2021	75,000	1,500	12,118	2,942	14,246	205	11,611	360	20,000	22,750
2022	-	-	12,533	2,527	-	-	4,945	40	20,000	21,750
2023	-	-	12,963	2,097	-	-	-	-	25,000	20,750
2024	-	-	13,407	1,653	-	-	-	-	25,000	19,500
2025	-	-	13,867	1,193	-	-	-	-	25,000	18,250
2026	-	-	14,342	718	-	-	-	-	25,000	17,000
2027	-	-	13,478	227	-	-	-	-	30,000	15,750
2028	-	-	-	-	-	-	-	-	30,000	14,250
2029	-	-	-	-	-	-	-	-	30,000	12,750
2030	-	-	-	-	-	-	-	-	35,000	11,250
2031	-	-	-	-	-	-	-	-	35,000	9,500
2032	-	-	-	-	-	-	-	-	35,000	7,750
2033	-	-	-	-	-	-	-	-	40,000	6,000
2034	-	-	-	-	-	-	-	-	40,000	4,000
2035	-	-	-	-	-	-	-	-	40,000	2,000
	<u>\$ 150,000</u>	<u>\$ 4,500</u>	<u>\$ 104,424</u>	<u>\$ 14,701</u>	<u>\$ 37,672</u>	<u>\$ 994</u>	<u>\$ 27,801</u>	<u>\$ 1,126</u>	<u>\$ 475,000</u>	<u>\$ 227,000</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities
(Continued)

June 30, 2019

Year Ending June 30	USDA Rural Development Bonds September 11, 2013 3.50%		Series 2016 Capital Outlay Note 2.92%		Series 2017 Capital Outlay Note 2.92%		Series 2018 Capital Outlay Note 3.17%		General Obligation Capital Outlay Note Series 2019 4.15%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 9,027	\$ 5,589	\$ 9,200	\$ 416	\$ 18,000	\$ 767	\$ 43,000	\$ 17,689	\$ 27,000	\$ 15,258
2021	9,348	5,268	9,500	282	18,500	504	45,000	16,326	28,000	15,729
2022	9,681	4,935	9,800	143	16,000	234	46,000	14,899	29,000	14,566
2023	10,025	4,591	-	-	-	-	47,000	13,441	30,000	13,363
2024	10,382	7,399	-	-	-	-	49,000	11,951	31,000	12,118
2025	10,751	3,865	-	-	-	-	51,000	10,398	33,000	10,832
2026	11,133	3,483	-	-	-	-	52,000	8,781	34,000	9,462
2027	11,529	3,087	-	-	-	-	54,000	7,133	36,000	8,051
2028	11,939	2,677	-	-	-	-	55,000	5,421	37,000	6,557
2029	12,364	2,252	-	-	-	-	57,000	3,677	39,000	5,021
2030	12,804	1,812	-	-	-	-	59,000	1,870	40,000	3,403
2031	13,259	1,357	-	-	-	-	-	-	42,000	1,743
2032	13,731	885	-	-	-	-	-	-	-	-
2033	14,219	397	-	-	-	-	-	-	-	-
2034	3,586	21	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-
	<u>\$ 163,778</u>	<u>\$ 47,618</u>	<u>\$ 28,500</u>	<u>\$ 841</u>	<u>\$ 52,500</u>	<u>\$ 1,505</u>	<u>\$ 558,000</u>	<u>\$ 111,586</u>	<u>\$ 406,000</u>	<u>\$ 116,103</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Governmental Activities
(Continued)

June 30, 2019

Year Ending June 30	Capital Lease Firetruck 4.41%		Capital Lease Dumptruck 4.90%		Total General Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 38,757	\$ 23,546	\$ 18,018	\$ 3,580	\$ 304,389	\$ 98,454
2021	40,466	21,837	18,921	2,677	302,710	90,380
2022	42,250	20,053	19,869	1,729	210,078	80,876
2023	44,114	18,189	20,865	733	189,967	73,164
2024	46,059	16,244	3,578	22	178,426	68,887
2025	48,090	14,213	-	-	181,708	58,751
2026	50,211	12,092	-	-	186,686	51,536
2027	52,425	9,878	-	-	197,432	44,126
2028	54,737	7,566	-	-	188,676	36,471
2029	57,151	5,152	-	-	195,515	28,852
2030	59,672	2,632	-	-	206,476	20,967
2031	-	-	-	-	90,259	12,600
2032	-	-	-	-	48,731	8,635
2033	-	-	-	-	54,219	6,397
2034	-	-	-	-	43,586	4,021
2035	-	-	-	-	40,000	2,000
	<u>\$ 533,932</u>	<u>\$ 151,402</u>	<u>\$ 81,251</u>	<u>\$ 8,741</u>	<u>\$ 2,618,858</u>	<u>\$ 686,117</u>

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities

June 30, 2019

Year Ending June 30	Local Government Public Improvement Bonds Series 2013A 2.00% to 3.00%		Local Government Public Improvement Bonds Series 2013B 1.40 to 3.00%		Local Government Public * Improvement Bonds Series VII-G-1 Variable Rate		Rural Development Loan 3.375%		Local Government Public ** Improvement Bonds Series VII-G-1 Variable Rate		Note Payable Town of Englewood 4.75%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 160,000	\$ 84,575	\$ 160,000	\$ 15,081	\$ 100,000	\$ 53,250	\$ 19,702	\$ 35,101	\$ -	\$ 311,750	\$ 5,409	\$ 7,666
2021	175,000	81,375	165,000	11,881	100,000	48,250	20,378	34,425	-	311,750	5,672	7,404
2022	175,000	77,876	165,000	8,169	100,000	43,250	21,076	33,727	250,000	311,750	5,947	7,128
2023	200,000	73,937	170,000	4,250	100,000	38,250	21,798	33,004	275,000	299,250	6,236	6,840
2024	200,000	69,437	-	-	100,000	33,250	22,546	32,257	300,000	285,500	6,538	6,536
2025	225,000	64,437	-	-	125,000	28,250	23,318	31,483	300,000	270,500	6,856	6,220
2026	225,000	58,813	-	-	130,000	22,000	24,118	30,685	325,000	255,500	7,188	5,887
2027	250,000	52,625	-	-	155,000	15,500	24,944	29,859	350,000	239,250	7,538	5,538
2028	250,000	45,750	-	-	155,000	7,750	25,799	29,004	350,000	221,750	7,903	5,172
2029	250,000	38,250	-	-	-	-	26,684	28,119	375,000	204,250	8,287	4,788
2030	250,000	30,750	-	-	-	-	27,598	27,205	450,000	185,500	8,689	4,386
2031	250,000	23,250	-	-	-	-	28,544	26,259	475,000	163,000	9,111	3,963
2032	250,000	15,750	-	-	-	-	29,523	25,280	505,000	139,250	9,554	3,522
2033	275,000	8,250	-	-	-	-	30,535	24,268	535,000	114,000	10,017	3,058
2034	-	-	-	-	-	-	31,581	23,222	560,000	87,250	10,504	2,572
2035	-	-	-	-	-	-	32,665	22,139	565,000	59,250	11,014	2,062
2036	-	-	-	-	-	-	33,783	21,019	620,000	31,000	11,548	1,527
2037	-	-	-	-	-	-	34,941	19,861	-	-	12,109	966
2038	-	-	-	-	-	-	36,139	18,664	-	-	12,498	378
2039	-	-	-	-	-	-	37,378	17,425	-	-	-	-
2040	-	-	-	-	-	-	38,660	16,144	-	-	-	-
2041	-	-	-	-	-	-	39,984	14,819	-	-	-	-
2042	-	-	-	-	-	-	41,356	13,448	-	-	-	-
2043	-	-	-	-	-	-	42,772	12,031	-	-	-	-
2044	-	-	-	-	-	-	44,238	10,564	-	-	-	-
2045	-	-	-	-	-	-	45,755	9,048	-	-	-	-
2046	-	-	-	-	-	-	47,323	7,480	-	-	-	-
2047	-	-	-	-	-	-	48,945	5,858	-	-	-	-
2048	-	-	-	-	-	-	50,623	4,180	-	-	-	-
2049	-	-	-	-	-	-	52,358	2,445	-	-	-	-
2050	-	-	-	-	-	-	45,642	669	-	-	-	-
	<u>\$ 3,135,000</u>	<u>\$ 725,075</u>	<u>\$ 660,000</u>	<u>\$ 39,381</u>	<u>\$ 1,065,000</u>	<u>\$ 289,750</u>	<u>\$ 1,050,706</u>	<u>\$ 639,692</u>	<u>\$ 6,235,000</u>	<u>\$ 3,490,500</u>	<u>\$ 162,618</u>	<u>\$ 85,613</u>

* Amortization is shown using an estimated interest rate at June 30, 2019 of 5.0%.

** Maximum interest rate of 4.90%. Amortization is shown using the maximum interest rate at June 30, 2019.

(Continued)

CITY OF ETOWAH, TENNESSEE

Schedule of Long-Term Principal and Interest Requirements by Issue
Business-Type Activities
(Continued)

June 30, 2019

Year Ending June 30	Local Government Public Improvement Bonds Series 2013A 2.00%		Rural Development Loan 3.375%		State of Tennessee Revolving Fund Loan SRF CWO 15-347 0.680%		State of Tennessee Revolving Fund Loan SRF CW3 14-340 0.680%		State of Tennessee Revolving Loan SRF CWO 12-296 0.560%		Total Business-Type Activities Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 230,000	\$ 9,100	\$ 22,360	\$ 39,837	\$ 14,364	\$ 2,076	\$ 45,084	\$ 6,408	\$ 38,508	\$ 3,780	\$ 795,427	\$ 568,624
2021	225,000	4,500	23,127	39,070	14,460	1,968	45,384	6,072	38,724	3,564	812,745	550,259
2022	-	-	23,920	38,277	14,568	1,848	45,696	5,724	38,940	3,348	840,147	531,097
2023	-	-	24,740	37,458	14,664	1,740	46,008	5,376	39,156	3,132	897,602	503,237
2024	-	-	25,588	36,610	14,760	1,632	46,320	5,028	39,384	2,904	755,136	473,154
2025	-	-	26,465	35,732	14,868	1,512	46,644	4,668	39,600	2,688	807,751	445,490
2026	-	-	27,372	34,825	14,968	1,404	46,956	4,320	39,828	2,460	840,430	415,894
2027	-	-	28,310	33,887	15,072	1,284	47,280	3,960	40,056	2,232	918,200	384,135
2028	-	-	29,280	32,917	15,168	1,176	47,604	3,600	40,272	2,016	921,026	349,135
2029	-	-	30,284	31,913	15,276	1,056	47,928	3,228	40,500	1,788	793,959	313,392
2030	-	-	31,322	30,875	15,384	936	48,252	2,868	40,728	1,560	871,973	284,080
2031	-	-	32,396	29,801	15,480	828	48,588	2,496	40,956	1,332	900,075	250,929
2032	-	-	33,506	28,691	15,588	708	48,912	2,136	41,184	1,104	933,267	216,441
2033	-	-	34,655	27,543	15,696	588	49,248	1,752	41,424	864	991,575	180,323
2034	-	-	35,842	26,355	15,804	468	49,584	1,380	41,652	636	744,967	141,883
2035	-	-	37,071	25,126	15,912	348	49,920	1,008	41,880	408	753,462	110,341
2036	-	-	38,342	23,855	16,020	228	50,256	624	42,120	168	812,069	78,421
2037	-	-	39,657	22,541	16,128	108	50,616	228	7,078	3	160,529	43,707
2038	-	-	41,015	21,182	5,302	7	4,135	2	-	-	99,089	40,233
2039	-	-	42,421	19,776	-	-	-	-	-	-	79,799	37,201
2040	-	-	43,875	18,322	-	-	-	-	-	-	82,535	34,466
2041	-	-	45,379	16,818	-	-	-	-	-	-	85,363	31,637
2042	-	-	46,934	15,263	-	-	-	-	-	-	88,290	28,711
2043	-	-	48,543	13,654	-	-	-	-	-	-	91,315	25,685
2044	-	-	49,860	11,990	-	-	-	-	-	-	94,098	22,554
2045	-	-	50,207	10,269	-	-	-	-	-	-	95,962	19,317
2046	-	-	51,928	8,489	-	-	-	-	-	-	99,251	15,969
2047	-	-	53,708	6,648	-	-	-	-	-	-	102,653	12,506
2048	-	-	55,549	4,744	-	-	-	-	-	-	106,172	8,924
2049	-	-	57,453	2,775	-	-	-	-	-	-	109,811	5,220
2050	-	-	59,158	759	-	-	-	-	-	-	104,800	1,428
	<u>\$ 455,000</u>	<u>\$ 13,600</u>	<u>\$ 1,190,267</u>	<u>\$ 726,002</u>	<u>\$ 279,482</u>	<u>\$ 19,915</u>	<u>\$ 864,415</u>	<u>\$ 60,878</u>	<u>\$ 691,990</u>	<u>\$ 33,987</u>	<u>\$ 15,789,478</u>	<u>\$ 6,124,393</u>

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
Schedule of Changes in Long-Term Debt by Individual Issue
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2018	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2019
Governmental Activities								
Bonds Payable:								
Local Government General Obligation Bonds Series 2013A	\$ 3,740,000	Various	(1) 04/12/2013	06/01/2033	\$ 220,000	\$ -	\$ 70,000	\$ 150,000
USDA Rural Development Bonds Community Facilities Loan Program	\$ 177,000	3.38%	01/31/2012	05/10/2027	115,752	-	11,328	104,424
Local Government Public Improvement Bonds Series VII-G-1	\$ 610,000	Various	(2) 12/16/2010	01/01/2011	495,000	-	20,000	475,000
USDA Rural Development Bonds Community Facilities Loan Program	\$ 210,000	3.50%	09/11/2013	09/11/2033	172,495	-	8,717	163,778
Tennessee Municipal Bond Fund Series 2016	\$ 46,000	2.92%	11/10/2016	11/01/2021	37,400	-	8,900	28,500
Tennessee Municipal Bond Fund Series 2017	\$ 87,000	2.92%	04/13/2017	12/01/2021	70,000	-	17,500	52,500
Tennessee Municipal Bond Fund Series 2018	\$ 600,000	3.17%	08/18/2017	10/01/2029	600,000	-	42,000	558,000
Total Bonds Payable					<u>\$ 1,710,647</u>	<u>\$ -</u>	<u>\$ 178,445</u>	<u>\$ 1,532,202</u>
Notes Payable:								
Capital Lease Obligation	\$ 250,000	2.48%	08/22/2012	02/22/2021	\$ 60,528	\$ -	\$ 22,855	\$ 37,673
General Obligation Capital Outlay Note Series 2014	\$ 75,000	3.15%	11/25/2014	11/25/2021	38,695	-	10,894	27,801
General Obligation Capital Outlay Note Series 2019	\$ 406,000	4.15%	03/05/2019	02/01/2031	-	406,000	-	406,000
Capital Lease Obligation Fire Truck	\$ 571,052	4.41%	05/01/2019	05/01/2030	-	571,052	37,120	533,932
Capital Lease Obligation Dump Truck	\$ 95,606	4.90%	10/01/2018	10/01/2023	-	95,606	14,355	81,251
Total Notes Payable					<u>\$ 99,223</u>	<u>\$ 1,072,658</u>	<u>\$ 85,224</u>	<u>\$ 1,086,657</u>

(Continued)

CITY OF ETOWAH, TENNESSEE

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

June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2018	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2019
Business-Type Activities								
Bonds Payable:								
Local Government Public Improvement Bonds Series 2013A	\$ 5,905,000	2.00%	(1) 04/12/2013	06/01/2033	\$ 3,980,000	\$ -	\$ 390,000	\$ 3,590,000
Local Government Public Improvement Bonds Series 2013B	\$ 1,825,000	1.40%	(3) 04/12/2013	06/01/2023	815,000	-	155,000	660,000
Local Government Public Improvement Bonds Series VII-G-1	\$ 7,600,000	5.00%	12/16/2010	06/01/2036	<u>7,400,000</u>	<u>-</u>	<u>100,000</u>	<u>7,300,000</u>
Total Bonds Payable					<u>\$12,195,000</u>	<u>\$ -</u>	<u>\$ 645,000</u>	<u>\$11,550,000</u>
Notes Payable:								
Rural Development Loan Loan	\$ 2,500,000	3.38%	05/23/2012	06/01/2050	\$ 2,281,637	\$ -	\$ 40,664	\$ 2,240,973
Rural Development Loan Town of Englewood	\$ 573,000	4.75%	02/02/2001	02/02/2039	167,857	-	5,239	162,618
State Revolving Fund Loan - SRF 15-347	\$ 302,000	0.68%	03/20/2018	10/20/2037	293,762	-	14,280	279,482
State Revolving Fund Loan - SRF CW3 14-340	\$ 1,000,000	0.68%	08/20/2017	07/20/2039	909,223	-	44,808	864,415
State Revolving Fund Loan - SRF CWO 12-296	\$ 800,000	0.56%	09/20/2016	07/20/2036	<u>730,330</u>	<u>-</u>	<u>38,340</u>	<u>691,990</u>
Total Notes Payable					<u>\$ 4,382,809</u>	<u>\$ -</u>	<u>\$ 143,331</u>	<u>\$ 4,239,478</u>

(1) Variable interest rate. Assumed an interest rate of 3.00% for future interest payments, even though the current rate at June 30, 2019 is 2.00%.

(2) Variable interest rate. Assumed an interest rate of 5.00% for future interest payments, even though the current rate at June 30, 2019 is 1.72%.

(3) Variable interest rate. Assumed an interest rate of 1.40% for future interest payments, even though the current rate at June 30, 2019 is 3.00%.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
ELECTRIC DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets			Accumulated Depreciation					Net Plant
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expense	Retirement Plus Cost of Removal Minus Salvage	Balance June 30, 2019	
Utility plant:									
Distribution plant:									
Land and land rights	\$ 102,389	\$ -	\$ -	\$ 102,389	\$ -	\$ -	\$ -	\$ -	\$ 102,389
Structures and improvements	-	-	-	-	-	-	-	-	-
Station equipment	5,159,601	-	-	5,159,601	1,797,198	360,881	-	2,158,079	3,001,522
Poles, towers and fixtures	5,654,027	231,852	47,060	5,838,819	207,992	187,161	138,920	256,233	5,582,586
Overhead conductors and devices	4,206,794	84,432	9,946	4,281,280	233,995	105,848	25,674	314,169	3,967,111
Underground conduit	207,908	9,138	321	216,725	86,595	9,613	644	95,564	121,161
Underground conduit and devices	725,620	36,699	1,298	761,021	252,394	33,837	1,379	284,852	476,169
Line transformers	2,980,407	111,563	49,924	3,042,046	997,611	76,155	55,770	1,017,996	2,024,050
Services	1,270,418	59,540	4,359	1,325,599	439,157	55,106	19,165	475,098	850,501
Meters	445,417	6,833	-	452,250	173,939	11,249	-	185,188	267,062
Installation on customers' premises	777,490	51,826	23,365	805,951	665,233	58,321	31,075	692,479	113,472
Street lighting and signal system	280,958	312	-	281,270	279,748	376	-	280,124	1,146
Total distribution plant	21,811,029	592,195	136,273	22,266,951	5,133,862	898,547	272,627	5,759,782	16,507,169
General plant:									
Land and land rights	44,057	-	-	44,057	-	-	-	-	44,057
Structures and improvements	585,097	3,178	-	588,275	228,027	13,651	(269)	241,947	346,328
Equipment and office furniture	213,519	7,428	-	220,947	161,001	17,165	-	178,166	42,781
Transportation equipment	1,226,885	-	15,934	1,210,951	1,226,885	-	15,934	1,210,951	-
Stores equipment	10,737	1,524	-	12,261	10,680	873	-	11,553	708
Tools, shop and garage equipment	229,971	12,515	-	242,486	197,454	19,004	-	216,458	26,028
Laboratory equipment	3,855	-	-	3,855	3,855	-	-	3,855	-
Communications equipment	24,494	-	-	24,494	24,494	-	-	24,494	-
Total general plant	2,338,615	24,645	15,934	2,347,326	1,852,396	50,693	15,665	1,887,424	459,902
Total electric plant in service	24,149,644	616,840	152,207	24,614,277	6,986,258	949,240	288,292	7,647,206	16,967,071
Construction work in progress	92,907	156,413	-	249,320	-	-	-	-	249,320
Total utility plant	\$ 24,242,551	\$ 773,253	\$ 152,207	\$ 24,863,597	\$ 6,986,258	\$ 949,240	\$ 288,292	\$ 7,647,206	\$ 17,216,391

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
GAS DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets			Accumulated Depreciation					Net Plant
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expense	Retirements	Balance June 30, 2019	
Utility plant:									
Distribution plant:									
Land and land rights	\$ 1,015	\$ -	\$ -	\$ 1,015	\$ -	\$ -	\$ -	\$ -	\$ 1,015
Mains	3,778,594	-	-	3,778,594	1,138,960	72,171	-	1,211,131	2,567,463
Station and equipment	700,791	-	-	700,791	341,011	17,940	-	358,951	341,840
Services	1,436,973	29,794	5,944	1,460,823	329,438	30,464	15,166	344,736	1,116,087
Meters and regulators	331,901	8,768	151	340,518	196,733	7,353	151	203,935	136,583
Total distribution plant	6,249,274	38,562	6,095	6,281,741	2,006,142	127,928	15,317	2,118,753	4,162,988
General plant:									
Land and land rights	6,262	-	-	6,262	-	-	-	-	6,262
Structures and improvements	282,073	1,258	-	283,331	64,572	6,770	-	71,342	211,989
Office equipment	251,013	1,641	-	252,654	239,095	12,894	-	251,989	665
Transportation equipment	235,588	-	3,660	231,928	229,358	6,231	3,660	231,929	(1)
Stores equipment	7,046	-	-	7,046	3,678	299	-	3,977	3,069
Tools, work equipment	337,337	23,611	-	360,948	331,615	29,333	-	360,948	-
Lab equipment	1,558	-	-	1,558	1,558	-	-	1,558	-
Total general plant	1,120,877	26,510	3,660	1,143,727	869,876	55,527	3,660	921,743	221,984
Total gas plant in service	7,370,151	65,072	9,755	7,425,468	2,876,018	183,455	18,977	3,040,496	4,384,972
Construction work in progress	21,275	(873)	-	20,402	-	-	-	-	20,402
Total utility plant	\$ 7,391,426	\$ 64,199	\$ 9,755	\$ 7,445,870	\$ 2,876,018	\$ 183,455	\$ 18,977	\$ 3,040,496	\$ 4,405,374

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
WATER DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets				Accumulated Depreciation				
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expenses	Retirements	Balance June 30, 2019	Net Plant
Utility plant:									
Treatment and distribution plant:									
Land and land rights	\$ 92,020	\$ -	\$ -	\$ 92,020	\$ -	\$ -	\$ -	\$ -	\$ 92,020
Purification and pumping	4,655,780	7,120	-	4,662,900	2,574,859	116,409	-	2,691,268	1,971,632
Booster stations	636,632	-	-	636,632	413,073	25,465	-	438,538	198,094
Water storage	1,089,613	-	-	1,089,613	289,428	27,240	-	316,668	772,945
Mains	18,496,244	103,365	-	18,599,609	9,094,911	556,896	-	9,651,807	8,947,802
Services	3,145,168	202,611	-	3,347,779	1,005,130	96,943	-	1,102,073	2,245,706
Meters and hydrants	646,208	33,421	7,531	672,098	503,910	20,219	7,531	516,598	155,500
Total treatment and distribution plant	28,761,665	346,517	7,531	29,100,651	13,881,311	843,172	7,531	14,716,952	14,383,699
General plant:									
Land and land rights	10,682	-	-	10,682	-	-	-	-	10,682
Structures and improvements	253,448	2,751	-	256,199	71,183	6,336	-	77,519	178,680
Furniture and equipment	127,579	2,257	-	129,836	80,236	10,228	-	90,464	39,372
Transportation equipment	220,522	-	3,678	216,844	220,521	1	3,679	216,843	1
Tools, shop and garage equipment	220,269	49,033	-	269,302	216,250	15,980	-	232,230	37,072
Total general plant	832,500	54,041	3,678	882,863	588,190	32,545	3,679	617,056	265,807
Total water plant in service	29,594,165	400,558	11,209	29,983,514	14,469,501	875,717	11,210	15,334,008	14,649,506
Construction work in progress	83,093	39,695	-	122,788	-	-	-	-	122,788
Total utility plant	\$ 29,677,258	\$ 440,253	\$ 11,209	\$ 30,106,302	\$ 14,469,501	\$ 875,717	\$ 11,210	\$ 15,334,008	\$ 14,772,294

. See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
SEWER DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets				Accumulated Depreciation				
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expense	Retirements	Balance June 30, 2019	Net Plant
Utility plant:									
Treatment, collection and pumping plant:									
Land and land rights	\$ 78,158	\$ -	\$ -	\$ 78,158	\$ -	\$ -	\$ -	\$ -	\$ 78,158
Mains	5,962,672	4,769	-	5,967,441	969,996	75,408	-	1,045,404	4,922,037
Services	692,491	2,368	-	694,859	143,638	9,229	-	152,867	541,992
Lift station	269,938	10,796	-	280,734	153,059	9,169	-	162,228	118,506
Pump station	1,392,625	16,586	-	1,409,211	263,643	46,512	-	310,155	1,099,056
Structures and improvements	2,165,974	-	-	2,165,974	1,101,855	39,854	-	1,141,709	1,024,265
Laboratory	21,691	-	-	21,691	21,691	-	-	21,691	-
Total treatment and distribution plant	10,583,549	34,519	-	10,618,068	2,653,882	180,172	-	2,834,054	7,784,014
General plant:									
Building	1,365	943	-	2,308	-	-	-	-	2,308
Office furniture and equipment	27,421	1,775	-	29,196	12,590	2,199	-	14,789	14,407
Transportation equipment	166,452	-	3,679	162,773	166,452	2	3,680	162,774	(1)
Tools, shop and garage equipment	142,060	9,795	-	151,855	132,831	13,206	-	146,037	5,818
Total general plant	337,298	12,513	3,679	346,132	311,873	15,407	3,680	323,600	22,532
Total sewer plant in service	10,920,847	47,032	3,679	10,964,200	2,965,755	195,579	3,680	3,157,654	7,806,546
Construction work in progress	15,955	55,116	-	71,071	-	-	-	-	71,071
Total utility plant	\$ 10,936,802	\$ 102,148	\$ 3,679	\$ 11,035,271	\$ 2,965,755	\$ 195,579	\$ 3,680	\$ 3,157,654	\$ 7,877,617

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Fiscal Year Ended June 30, 2019

Tax Year	Property Tax Receivable Balance June 30, 2018	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2019
2019	\$ -	\$ -	\$ 1,371,879	\$ -	\$ -	\$ 1,371,879
2018	-	1,318,117	-	474	(1,226,311)	92,280
2017	99,445	-	-	2,404	(73,181)	28,668
2016	32,284	-	-	3,476	(15,858)	19,902
2015	22,442	-	-	9,084	(13,995)	17,531
2014	33,137	-	-	1,563	(27,486)	7,214
2013	6,499	-	-	-	(2,951)	3,548
2012	4,216	-	-	-	(1,396)	2,820
2011	2,134	-	-	-	(206)	1,928
2010	526	-	-	638	-	1,164
2009	565	-	-	243	-	808
2008	550	-	-	-	-	550
2007	71	-	-	-	-	71
Total	<u>\$ 201,869</u>	<u>\$ 1,318,117</u>	<u>\$ 1,371,879</u>	<u>\$ 17,882</u>	<u>\$ (1,361,384)</u>	<u>\$ 1,548,363</u>

Note: All uncollected taxes for years prior to 2019 have been turned over to the Clerk and Master for collection.

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE

Analysis of Tax Rates and Assessments
(Most recent nine years)

June 30, 2019

<u>Tax Year</u>	<u>Assessed Value</u>	<u>Tax Rate Per \$100</u>	<u>Total Tax Levy</u>
2018	\$ 74,469,887	\$ 1.77	\$ 1,318,117
2017	73,317,081	1.61	1,182,042
2016	75,638,120	1.35	1,021,129
2015	74,446,214	1.35	1,005,024
2014	70,038,361	1.35	945,500
2013	67,808,997	1.35	915,405
2012	65,841,198	1.27	836,194
2011	66,913,228	1.27	849,798
2010	69,378,406	1.13	764,779

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
ELECTRIC DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

RESIDENTIAL RATE - SCHEDULE RS

Customer Charge \$20.17 per month

Energy Charge 0.11170 cents per kWh per month

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer Charge \$32.66 per delivery point per month

Energy Charge 0.12585 cents per kWh per month

PART 2.

Customer Charge \$150.83 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 \$17.73 per kW

Energy Charge First 15,000 kWh per month at 0.13047 cents per kWh
Additional kWh per month at 0.007076 cents per kWh

PART 3.

Customer Charge \$292.68 per delivery point per month

Demand Charge First 1,000 kW of billing demand per month at \$16.87 per kW
Excess over 1,000 kW of billing demand per month at \$16.24 per kW, plus an
additional 0.07768 cents 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

GENERAL POWER RATE - SCHEDULE TOU GSB

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

Admin Charge \$350.00 per month

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

Energy Charge 0.05676 cents per off-peak kWh for up to 425 hours use of metered demand (HUD) per
month, plus 0.02218 cents per off-peak kWh for next 200 HUD, plus 0.01877 cents
per off-peak kWh over 620 HUD

(Continued)

CITY OF ETOWAH, TENNESSEE
ELECTRIC DEPARTMENT

Utility Rate Structure and Number of Customers
(Continued)

June 30, 2019

OUTDOOR LIGHTING RATE - SCHEDULE LS

Customer Charge.....\$3.00

Energy Charge.....0.07482 cents per kWh

Facility Charge.....LP (13)% $\frac{B}{A \text{ or } B}$

Customer Data

	<u>Number of Customers</u>
Residential	4,331
General power - 50 kW and under	679
General power - over 50 kW	39
Street and athletic lighting	56
Large commercial and industrial	<u>2</u>
	<u>5,107</u>

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
GAS DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

Gas Rates in Effect at June 30, 2019*

	<u>Per 100 Cubic Feet</u>
General service rate - residential:	
Customer Charge	\$ 6.00
Per 100 cubic feet (ccf)	.660
Commercial - industrial:	
Customer Charge	\$ 12.00
Per 100 cubic feet (ccf)	.610
Large volume - industrial:	
Customer Charge	\$102.00
First 150,000 cubic feet	.560
All over 150,000 cubic feet	.510
Interruptible:	
Customer Charge	\$102.00
Per MCF	3.2374

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

Customer Data

	<u>Number of Customers</u>
Residential	1,975
Small commercial	228
Large commercial	5
Interruptible	<u>3</u>
	<u>2,211</u>

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
WATER DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

Water Rates in Effect at June 30, 2019

	<u>Per Thousand Gallons</u>	
	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>
<u>Residential</u>		
Service availability charge	\$ 9.96	\$ 9.96
First 1,000 gallons	7.09	10.64
Next 1,000 gallons	7.09	10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30
<u>Commercial</u>		
Service availability charge	\$16.85	\$16.85
First 1,000 gallons	7.09	10.64
Next 1,000 gallons	7.09	10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30
<u>Municipal</u>		
Service availability charge	\$14.46	
First 1,000 gallons	7.93	
Next 1,000 gallons	7.93	
Next 8,000 gallons	6.34	
Next 40,000 gallons	8.57	
Next 50,000 gallons	7.21	
All over 100,000 gallons	3.31	
<u>Residential - Sprinklers</u>		
First 2,000 gallons	\$ 7.09	\$10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30

(Continued)

CITY OF ETOWAH, TENNESSEE
WATER DEPARTMENT

Utility Rate Structure and Number of Customers
(Continued)

June 30, 2019

Water Rates in Effect at June 30, 2019 (Continued)

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
<u>Commercial - Sprinklers</u>		
First 2,000 gallons	\$ 7.09	\$10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30

Customer Data

	<u>Number of Customers</u>
Residential	4,595
Large and commercial	329
Industrial	<u>9</u>
	<u>4,933</u>

See independent auditor's report.

CITY OF ETOWAH, TENNESSEE
SEWER DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

Sewer Rates in Effect at June 30, 2019

	<u>Per Thousand Gallons</u>	
	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>
First 2,000 gallons - minimum bill	\$15.59	\$22.37
Excess of 2,000 gallons	6.87	10.29
All over 1,000,000 gallons	6.41	9.60

Customer Data

	<u>Number of</u>
	<u>Customers</u>
Residential	1,543
Commercial and Industrial	<u>203</u>
	<u>1,746</u>

See independent auditor's report.

STATISTICAL SCHEDULES (Unaudited)

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

Water Audit Report for: **Etowah Utilities (TN0000233)**
Reporting Year: **2018/19** **7/2018 - 6/2019**

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

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

To select the correct data grading for each input, determine the highest grade where the

WATER SUPPLIED

Volume from own sources: 1,134.634 MG/Yr
Water imported: MG/Yr
Water exported: 66.886 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value:
Pcnt: Value:
Pcnt: Value:

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

WATER SUPPLIED: 1,057.176 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 748.453 MG/Yr
Billed unmetered: 0.061 MG/Yr
Unbilled metered: 0.833 MG/Yr
Unbilled unmetered: 13.215 MG/Yr

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

AUTHORIZED CONSUMPTION: 762.562 MG/Yr

Click here: for help using option buttons below
Pcnt: Value:

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

294.615 MG/Yr

Apparent Losses

Unauthorized consumption: 2.643 MG/Yr

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

Customer metering inaccuracies: 15.292 MG/Yr

Systematic data handling errors: 1.871 MG/Yr

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

Apparent Losses: 19.806 MG/Yr

Pcnt: Value:

2.00% ☐ 0.25% ☐

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 274.809 MG/Yr

WATER LOSSES: 294.615 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 308.662 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 160.0 miles
Number of active AND inactive service connections: 5,076
Service connection density: conn /mile main

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

Average length of customer service line:

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

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

Average operating pressure: 60.0 psi

COST DATA

Total annual cost of operating water system: \$2,616,953 \$/Year
Customer retail unit cost (applied to Apparent Losses): \$8.87 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$433.57 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 86 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: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association

Water Audit Report for: **Etowah Utilities (TN0000233)**Reporting Year: **2018/19** **7/2018 - 6/2019******* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 *****

System Attributes:

Apparent Losses:	19.806	MG/Yr
+ Real Losses:	274.809	MG/Yr
= Water Losses:	294.615	MG/Yr

? Unavoidable Annual Real Losses (UARL): 35.63 MG/Yr

Annual cost of Apparent Losses: \$175,676

Annual cost of Real Losses: \$119,149

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: 29.2%

Non-revenue water as percent by cost of operating system: 11.5% Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 10.69 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day*: 4,705.63 gallons/mile/day

Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 274.81 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 7.71

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

CITY OF ETOWAH, TENNESSEE

Miscellaneous Statistical Data

June 30, 2019

Incorporated	1902
Form of government	Mayor - Commissioners
Adopted Home Rule Charter	January 2, 1964
Area in square miles	7.0
Codes enforcement:	
Number of full-time employees	2
Library:	
Number of full-time employees	1
Number of part-time employees	2
Police protection:	
Number of stations	1
Number of full-time employees	8
Number of part-time employees	1
Fire protection:	
Number of stations	1
Number of full-time employees	5
Number of part-time employees	11
Public works:	
Number of full-time employees	2
Sanitation:	
Number of full-time employees	4
Depot:	
Number of full-time employees	1
Parks and recreation:	
Number of full-time employees	4
Number of part-time employees	5
Administrative	
Number of full-time employees	6

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

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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**

Mayor and Board of Commissioners
 City of Etowah, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, the budgetary comparisons of the major funds and the aggregate remaining fund information of the City of Etowah, Tennessee (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Etowah, Tennessee's basic financial statements and have issued our report thereon dated March 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Etowah, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the 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 were not identified. We did identify a deficiency in internal control, described in 2019-001; that we considered to be a material weakness..

DESIGN DEFICIENCIES

Etowah City School

FINDING #2019-001 Segregation of Duties (REPEAT FROM PRIOR YEAR)

Condition: The City School System's Finance Director and a financial clerk work together in performing the accounting duties of the School System. At present, the Finance Director is responsible for and/or performing duties involving cash collections, account adjustments, maintenance of receivables, general ledger postings and maintenance and bank reconciliations. The duties are not segregated enough to have adequate controls over the accounting function for the City School System's revenue cycle

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal controls are effective.

Cause: Due to limitations on staff size and the allocation of resources, the School's current internal control structure does not meet this requirement.

Effect: The risk of errors and irregularities occurring and not be detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We recommend that the School System implement a proper segregation of duties consistent with control objectives for the revenue cycle with available staff and supervisory personnel. We understand that the lack of an adequate number of personnel may make optimal segregation of duties impractical.

Management's Response: The School Board and management of the School System will evaluate this recommendation and take the necessary action to reduce the risks involved. We are exploring all avenues to determine additional ways we can properly provide segregation, however; given the small number of staff available optimal segregation of duties may not be totally achievable.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Etowah, Tennessee's financial statements are free of 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as items #2019-002 and #2019-003.

Finding #2019-002: Budget Compliance

City of Etowah

Condition: During our audit, we noted that the City over expended their General Fund appropriations. This is a violation of state law.

Criteria: Management should review budget versus actual expenses periodically to ensure the budgets are not violated and adopt budget amendments for capital equipment acquisitions financed by the issuance of financing loans and leases.

Cause: Management failed to budget appropriations for capital equipment acquisitions financed through the issuance financing leases for its Fire and Public Works Departments.

Effect: The City's General Fund over expended its legally adopted budget.

Recommendation: We recommend that all expenditures be reviewed for proper appropriation prior to disbursement. The Mayor and Board of Commissioners should pass a formal budget amendment before excess expenditures are made.

Management's Response: Management will have better oversight and review the budget periodically, including capital outlay financing transactions. We will make budget amendments as necessary in the future. The exception noted above was done in error, and not an intentional over expenditure. We are aware of the requirements and will proceed accordingly in the future.

Finding #2019-003: Budget Compliance

Etowah City Schools

Condition: During our audit, we noted that the City Schools over expended the School Cafeteria Fund appropriations. This is a violation of state law.

Criteria: School management should review budget versus actual expenses periodically to ensure the budgets are not violated.

Cause: Management did not review budget versus actual expenses before making expenditures.

Effect: The School's Drug Cafeteria Fund over expended its legally adopted budget.

Recommendation: We recommend that all expenditures be reviewed for proper appropriation prior to disbursement. The School's Board of Education should pass a formal budget amendment before excess expenditures are made.

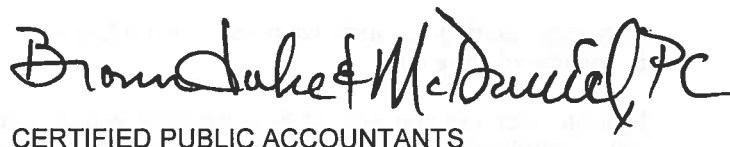
Management's Response: Management will have better oversight and review the budget periodically for the School Cafeteria Fund. The School Board will make amendments as necessary in the future.

City of Etowah, Tennessee's Responses to Findings

The City of Etowah, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 5, 2020

CITY OF ETOWAH, TENNESSEE

Schedule of Prior Year Findings

For the Fiscal Year Ended June 30, 2019

Finding Number	Finding Title	Status
2018-001	Segregation of Duties	Repeated as #2019-001
2018-002	Adjusting Journal Entries	Not present in 2019



March 5, 2020

Gene Keller
Mayor

Jim Swayne
Vice Mayor

Burke Garwood
Commissioner

Max Miller
Commissioner

Mike Casteel
Commissioner

Tina Tuggle
City Manager

CORRECTIVE ACTION PLAN

The City of Etowah for the year ending June 30, 2019 provides the following response to the finding and recommendation noted on pages 144-146 of the City's annual audited financial statements. The corrective action plan has been prepared by Tina Tuggle, the City Manager; and represents the responses of the City's management and the Board of Commissioners.

Finding #2019-002: Budget Compliance

Finding and Recommendation – We noted the City over expended the General Fund budget appropriations for the fiscal year ending June 30, 2019. We recommend that all expenditures be reviewed for proper appropriation prior to disbursement. The Mayor and Board of Commissioners should pass a formal budget amendment before excess expenditures are made.

Planned Corrective Action – Management will have better oversight and review the budget periodically, including capital outlay financing transactions. We will make budget amendments as necessary in the future. The error noted, concerning the acquisition of financed capital asset acquisition; was not intentional and we are now aware of the requirements.

Respectfully,

Tina M. Tuggle,
City Manager
City of Etowah, Tennessee





ETOWAH CITY SCHOOL

858 Eighth Street • Etowah, TN 37331
Ph: 423-263-5483 • Fax: 423-263-3401

Dr. Mikel G. Frazier • Director of Schools

CORRECTIVE ACTION PLAN

Etowah City School System submits the following corrective action plan for the year ended June 30, 2019 regarding the financial statement finding and recommendation noted on pages 144-146 of the City of Etowah's audited financial statements. The corrective action plan has been prepared by Dr. Mike Frazier, the Etowah City School System's Director of Schools; and represents the responses of the School's Board of Directors.

Finding #2019-001 – Segregation of Duties (Repeated from prior year)

Finding and Recommendation – The School System should implement duties for employees consistent with control objectives for the revenue cycle. We realize due to the small number of financial management employees optimal segregation of duties may be impractical in some regards.

Planned Corrective Action – The School System has a limited number of accounting personnel due to the current volume of transactions and minimal financial operating complexity. Management has begun the implementation of numerous procedures and offsetting controls to enhance controls over the revenue cycle. These procedures include requiring more review, oversight and involvement by management personnel in the revenue cycle area regarding cash receipts, depositing, daily posting and maintenance of detailed grant and other receivables and review of bank reconciliations. The School System has implemented procedures and controls regarding approval of voided transactions and the review and approval of journal entries for any significant corrections. We believe the above steps will alleviate this finding in the future for the year ending June 30, 2020.

Finding #2019-003 – Budget Compliance

Finding and Recommendation – We noted the School over expended the Cafeteria Fund budget appropriations for the fiscal year ending June 30, 2019. We recommend that all expenditures be reviewed for proper appropriations prior to disbursement. The School Board and the Mayor and Board of Commissioners should pass a formal budget amendment before any excess expenditures are made.

Planned Corrective Action – Management will have better oversight and review the Cafeteria Fund budget periodically, including of the Cafeteria Fund expenditures. We will make budget amendments as necessary in the future for this Fund.

Dr. Mike Frazier, Director of Schools
Etowah City School System

APPENDIX D

GENERAL PURPOSE FINANCIAL STATEMENTS OF ETOWAH UTILITIES BOARD FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Etowah Utilities Board for the fiscal year ended June 30, 2019 which is available upon request from the System.

ETOWAH UTILITIES BOARD
ANNUAL FINANCIAL REPORT
WITH REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION
June 30, 2019
and
INDEPENDENT AUDITOR'S REPORT

ETOWAH UTILITIES BOARD
Annual Financial Report
With Required and Other Supplementary Information
June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Directory	1
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	2 – 4
Required Supplementary Information:	
Management's Discussion and Analysis	5 – 10
Basic Financial Statements:	
Statement of Net Position	11 – 12
Statement of Revenues, Expenses and Change in Net Position	13
Statement of Cash Flows	14 – 15
Notes to Basic Financial Statements	16 – 37
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios	38
Schedule of Board Contributions	39
Schedule of Changes in Total OPEB Liability and Related Ratios	40
Other Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	41
Combining Statement of Net Position	42 – 43
Combining Statement of Revenues, Expenses and Change in Net Position	44
Combining Statement of Cash Flows	45 – 46
Schedule of Utility Plant:	
Electric Department	47
Gas Department	48
Water Department	49
Sewer Department	50
Schedule of Long-Term Principal and Interest Requirements:	
Electric Department	51
Gas Department	52
Water Department	53
Sewer Department	54
Schedule of Changes in Long-Term Debt by Individual Issue	55
Utility Rate Structure and Number of Customers:	
Electric Department	56 – 57
Gas Department	58
Water Department	59 – 60
Sewer Department	61

ETOWAH UTILITIES BOARD
Annual Financial Report
With Required and Other Supplementary Information
June 30, 2019

TABLE OF CONTENTS (Continued)

	<u>Page</u>
<u>STATISTICAL SCHEDULES (Unaudited)</u>	
AWWA Reporting Worksheet	62
AWWA System Attributes and Performance Indicators	63
<u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64 – 65
Summary Schedule of Prior Audit Findings	66

INTRODUCTORY SECTION

ETOWAH UTILITIES BOARD

DIRECTORY

June 30, 2019

Board Members

E. Burke Garwood, Chairman

Max Miller, Vice-Chairman

Mike Casteel

Gene Keller

Jim Swayne

Stephanie Aderhold, Recording Secretary

Management Team

Harold Masengil, General Manager

April Preston, Financial Superintendent

Ronnie Camp, Electric Superintendent

Tony Smith, Gas Superintendent

Mike Cheek, Water/Wastewater Superintendent

Legal Representative

Russell J. Blair, Attorney at Law

Walden Blair & Associates, PLLC

Independent Certified Public Accountants

Brown Jake & McDaniel, PC

Knoxville, Tennessee

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TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Etowah Utilities Board of
the City of Etowah
Etowah, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Etowah Utilities Board, an enterprise fund of the City of Etowah, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Etowah Utilities Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Etowah Utilities Board, of the City of Etowah, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Etowah Utilities Board enterprise fund and do not purport to, and do not present fairly the financial position of the City of Etowah, Tennessee, as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the required supplementary information on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Etowah Utilities Board. The introductory section, the other supplementary information, and the statistical schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements of Etowah Utilities Board.

The other supplementary information section, including the schedule of expenditures of federal and state awards; is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal and state awards; is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical schedules listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of Etowah Utilities Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Etowah Utilities Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown Lake & McDaniel, PC

Knoxville, Tennessee
November 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Etowah Utilities Board's (Utilities Board) annual financial report presents the analysis of the Utilities Board's financial performance during the fiscal year that ended June 30, 2019. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Utilities Board's Net Capital Assets decreased by \$0.70 million or 1.6 percent.
- The Utilities Board's Total Net Position increased by \$3.2 million or 8.1 percent.
- The Utilities Board's Total Revenues increased by \$2.42 million or 7.4 percent.
- The Utilities Board's Total Expenses increased by \$1.24 million or 4.1 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Report is presented in three sections: Introductory, Financial and Internal Control and Compliance. The Introductory Section includes the Utilities Board's Directory. The Financial Section includes the Management's Discussion and Analysis, Basic Financial Statements with accompanying Notes, Required and Other Supplementary Information, Statistical Schedules (Unaudited), and the Independent Auditor's Report. The Internal Control and Compliance Section includes the Auditor's Reports on Internal Control and Compliance.

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE UTILITIES BOARD AS A WHOLE

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

The Utilities Board’s total net position increased from last year by \$3.2 million. The analysis below focuses on the Utilities Board’s net position (Table 1) and change in net position (Table 2) during the year.

Table 1
Net Position

	FY 2019	FY 2018	Increase (Decrease)	
			Amount	%
Current and Other Assets	\$22,389,819	\$19,585,401	\$ 2,804,418	14.3%
Capital Assets	44,271,676	44,970,603	(698,927)	-1.6%
Total Assets	\$66,661,495	\$64,556,004	\$ 2,105,491	3.3%
Deferred Outflows of Resources	\$ 2,896,580	\$ 2,699,199	\$ 197,381	7.3%
Long-Term Liabilities	\$15,789,478	\$16,577,809	\$ (788,331)	-4.8%
Net Pension Liability	2,875,334	3,169,655	(294,321)	-9.3%
Other Liabilities	6,744,127	6,827,678	(83,551)	-1.2%
Total Liabilities	\$25,408,939	\$26,575,142	\$ (1,166,203)	-4.4%
Deferred Inflows of Resources	\$ 721,103	\$ 492,635	\$ 228,468	46.4%
Net Investment in Capital Assets	\$28,482,198	\$28,392,794	\$ 89,404	0.3%
Restricted	3,052,586	3,302,302	(249,716)	-7.6%
Unrestricted	11,893,249	8,492,330	3,400,919	40.0%
Total Net Position	\$43,428,033	\$40,187,426	\$ 3,240,607	8.1%

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

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

	FY 2019	FY 2018	Increase (Decrease) Amount	%
Operating Revenues	\$ 34,646,983	\$ 32,373,998	\$ 2,272,985	7.0%
Non-Operating Revenues	274,446	131,749	142,697	108.3%
Total Revenues	34,921,429	32,505,747	2,415,682	7.4%
Purchased Energy	22,140,708	20,821,276	1,319,432	6.3%
Distribution and Treatment	1,488,961	1,500,068	(11,107)	-0.7%
Customer Account Services Expense	612,313	585,296	27,017	4.6%
Administrative and General Expense	2,349,060	2,643,227	(294,167)	-11.1%
Maintenance Expense	1,769,578	1,628,847	140,731	8.6%
Depreciation Expense	2,197,759	2,153,085	44,674	2.1%
Interest and Amortization of Debt Expense	597,309	582,957	14,352	2.5%
Total Expenses	31,155,688	29,914,756	1,240,932	4.1%
Income Before Contributions and Transfers	3,765,741	2,590,991	1,174,750	45.3%
Capital Contributions from Customers	18,578	67,172	(48,594)	-72.3%
Transfers to Local Government	(543,712)	(529,927)	(13,785)	2.6%
Change in Net Position	3,240,607	2,128,236	1,112,371	52.3%
Net Position, Beginning, as Previously Stated	40,187,426	38,278,798	1,908,628	5.0%
Cumulative Effect of Change in Accounting Principle	-	(219,608)	219,608	
Net Position, Beginning, as Restated	40,187,426	38,059,190	2,128,236	5.6%
Net Position, Ending	\$ 43,428,033	\$ 40,187,426	\$ 3,240,607	8.1%

Total operating revenue increased 7.0% compared to the prior year. The Electric Department's operating revenues increased 4.9%. The Gas Department's revenue increased 12.1% for FY 2019 over FY 2018. The increase was the result of commodity cost increasing customer rates during FY 2019 over FY 2018. The Gas Department sold 5.8% less gas from all sales sectors than what was sold the year before at higher rates. The Water Department's sales increased 5.1% in 2019 due to an increase in customer rates and modest customer growth. The Sewer Department's sales increased 19.2% in 2019 due to an increase in customer rates and modest customer growth. The Gas department experienced a small increase in customers by 0.7% (16) for FY 2019; however, the Water increased 0.8% (40), the Sewer increased 0.6% (10) and Electric department decreased 0.1% (6).

Total expenses increased by 4.1%. Purchased energy increased by 6.3% due to increased usage and higher costs. Administrative and general expense decreased by 11.1% due to wage and benefit costs for employees decreasing and this year's adjustment for the GASB 68 regarding the EUB pension fund. Also, the maintenance expenses category increased by 8.6% due to additional water and sewer line maintenance expense. Interest and amortization of debt expense were comparable for FY 2019 and 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2019, the Utilities Board had a net amount of \$44.27 million invested in a broad range of utility capital assets, including its electric distribution, water treatment plant, water distribution mains, water storage facilities and warehouses. This amount represents a net decrease of \$0.70 million from the prior year.

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

<u>Net Utility Plant</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>Increase (Decrease)</u>
Electric	\$ 17,216	\$ 17,256	\$ (40)
Gas	4,405	4,516	(111)
Water	14,772	15,208	(436)
Sewer	<u>7,878</u>	<u>7,991</u>	<u>(113)</u>
	<u>\$ 44,271</u>	<u>\$ 44,971</u>	<u>\$ (700)</u>

This year's major additions include:

ELECTRIC

Distribution plant	\$592,195
General plant	24,645
Construction work in progress, net change	156,413

GAS

Distribution plant	38,562
General plant	26,510
Construction work in progress, net change	(873)

WATER

Treatment and distribution plant	346,517
General plant	54,041
Construction work in progress, net change	39,695

SEWER

Treatment and distribution plant	34,519
General plant	12,513
Construction work in progress, net change	55,116

Some of the projects in the Water and Sewer Department rehabilitated deteriorating lines in the older sections of town and the impact on operating and maintenance expenses is expected to be favorable. However, new sewer revenue, resulting from growth, in the older section of town is minimal. Industrial expansion projects in future years should provide for average growth.

The Utilities Board's FY 2020 capital budget plans for investing another \$3.9 million in capital projects including the following:

Electric system upgrades and improvements	\$ 758,521
Other equipment	352,700
Water line extensions and rehabilitations	950,620
Lagoon maintenance	10,000
Office equipment	18,000
Water meter replacements	208,000
Tools/Equipment	216,900
Booster Station and Plant improvements	158,000
Sewer generators (CDBG)	612,000
Lift station improvements	20,000
Plant/Building improvements	162,000
Pump Station	20,000
Equipment	59,020
Information technology	5,000
Mains/Services	30,000
Gas meter/regulators	140,896
Tools/Equipment	25,000
Gas equipment	<u>151,000</u>
	<u>\$3,897,657</u>

The Utilities Board plans to continue using cash flow to fund the capital budget for the Electric Department's upcoming year, assuming expenses are within budget and no disasters or emergencies occur. A CDBG grant is being used to finance Sewer Department generator project and joint Water Extension project with Polk County.

Debt Administration

At June 30, 2019, the Utilities Board's Electric Department had outstanding insured revenue bonds in the amount of \$3.80 million. The interest rates range from 1.40% to 3.00% on these bonds. All outstanding bonds are insured and rated AAA. Debt service schedules go to 2033. Total principal payments of \$320,000 are due in 2020.

The amount of outstanding long-term debt in the Utilities Board's Gas and Water and Sewer Departments at June 30, 2019 was \$11.99 million. Debt service schedules go to 2050. Total principal payments of \$475,427 are due in 2020. This debt consists of revenue and tax bonds, notes payable to the Town of Englewood, Rural Development Loans and State Revolving Fund Loans. The interest rates are variable and fixed, ranging from 0.56% to 5.00% on the long-term debt at June 30, 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Etowah Utility Board implemented a \$2.00 per month increase in customer charges for all standard service customers effective October 1, 2019. This increase is designated to be utilized for Electric Department expense associated with the implementation of an Automated Metering Infrastructure. A revenue neutral rate adjustment was also implemented October 1, 2019 for GSA2 customers with a \$9.17 increase in customer charge and a \$0.00040/kwh reduction in energy rates. There was no TVA rate increase for FY 2020.

The Gas Department rates are adjusted monthly to reflect the price of wholesale natural gas. The Board approved in 1994 for the Utilities Board to add a monthly adjustment onto the rates to recover the cost fluctuations in wholesale natural gas. Gas implemented a \$2.00 increase to the customer charge allocated for the AMI project.

In the Water Department, EUB has experienced minimal growth this year. The Water Department implemented a 3% increase effective July 1, 2019, which should provide adequate cash flow to fund the capital budget for FY 2020. EUB will impose a rate increase each year to cover additional operating costs. In addition to the 3%, Water implemented a \$2.00 increase to the customer charge allocated for the AMI project.

The Sewer Department implemented a 3% increase effective July 1, 2019, which should provide adequate cash flow for FY 2020. The Sewer Division expects very little overall growth in coming years without new industrial development. In addition to the 3%, Sewer implemented a \$2.00 increase to the customer charge allocated for the AMI project.

CONTACTING THE UTILITIES BOARD'S FINANCIAL MANAGEMENT

This annual financial report is designed to provide the Utilities Board's ratepayers and creditors with a general overview of the Utilities Board's finances and to demonstrate the Utilities Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Etowah Utilities Board at 1313 S. Tennessee Avenue, Etowah, Tennessee 37331.

ETOWAH UTILITIES BOARD

Statement of Net Position

June 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 15,214,327
Receivables:	
Customers, less allowance for doubtful accounts of \$392,580	1,981,515
Unbilled revenue	1,315,003
Other	74,704
Materials and supplies inventories	<u>635,203</u>
Total current assets	<u>19,220,752</u>
Non-current assets:	
Restricted cash	3,052,586
Other assets	<u>8,441</u>
Total restricted assets	<u>3,061,027</u>
Capital assets	73,451,040
Less accumulated depreciation	<u>29,179,364</u>
Net capital assets	<u>44,271,676</u>
Receivable - Tennessee Valley Authority Residential Energy Services Program	<u>108,040</u>
Total assets	<u>66,661,495</u>

DEFERRED OUTFLOWS OF RESOURCES

Unamortized debt cost	141,642
Accumulated decrease in fair value of hedging derivatives	1,448,366
Pension contributions made after the net pension liability measurement date	672,000
Difference between expected and actual experience - pension	342,731
Change in assumptions - pension	<u>291,841</u>
Total deferred outflows of resources	<u>2,896,580</u>

(Continued)

ETOWAH UTILITIES BOARD

Statement of Net Position
(Continued)

June 30, 2019

LIABILITIES

Current liabilities:

Current maturities of long-term debt	\$ 795,427
Accounts payable:	
Trade	3,811,471
Due to city	53,881
Accrued expenses	1,179,922
Customer deposits	<u>142,531</u>

Total current liabilities	<u>5,983,232</u>
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Long-term debt, excluding current maturities	<u>14,994,051</u>
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Derivative instrument - interest rate swap	<u>1,448,366</u>
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Advances from Tennessee Valley Authority Residential Energy Services Program	<u>107,956</u>
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Net pension liability	<u>2,875,334</u>
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Total liabilities	<u>25,408,939</u>
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DEFERRED INFLOWS OF RESOURCES

Differences between projected and actual earnings on pension plan investments	73,326
Differences between expected and actual experience - pension	66,764
Changes in assumptions - pension	577,561
Changes in assumptions - OPEB	<u>3,452</u>

Total deferred inflows of resources	<u>721,103</u>
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NET POSITION

Net investment in capital assets	28,482,198
Restricted for debt service	3,052,586
Unrestricted	<u>11,893,249</u>
Total net position	<u>\$ 43,428,033</u>

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

ETOWAH UTILITIES BOARD

Statement of Revenues, Expenses and Change in Net Position

For the Fiscal Year Ended June 30, 2019

Operating revenues:	
Residential sales	\$ 10,375,288
Commercial and industrial sales	21,936,961
Street and outdoor lighting	321,155
Interruptible sales	685,548
Other operating revenues	1,328,031
	<u>34,646,983</u>
Operating expenses:	
Purchased energy	22,140,708
Distribution and treatment	1,488,961
Customer account services	612,313
Administration and general	2,349,060
Maintenance	1,769,578
Depreciation	2,197,759
	<u>30,558,379</u>
Operating income	<u>4,088,604</u>
Non-operating revenues (expenses):	
Interest income	270,446
Interest expense	(585,528)
Amortization of debt expense	(11,781)
Gain on sale of assets	4,000
	<u>(322,863)</u>
Income before contributions and transfers	3,765,741
Capital contributions from governments and customers	18,578
Transfers to local government - in lieu of tax	<u>(543,712)</u>
Change in net position	3,240,607
Net position, beginning	<u>40,187,426</u>
Net position, ending	<u><u>\$ 43,428,033</u></u>

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

ETOWAH UTILITIES BOARD

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 34,824,646
Cash payments to suppliers for goods and services	(25,244,311)
Cash payments to employees for services	<u>(3,543,012)</u>
Net cash provided by operating activities	<u>6,037,323</u>
Cash flows from noncapital and related financing activities:	
Cash payment for in lieu of taxes	<u>(543,712)</u>
Net cash used by noncapital and related financing activities	<u>(543,712)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,498,829)
Proceeds from disposal of capital assets	4,000
Interest paid	(585,528)
Customer advances for construction	7,015
Proceeds from grants	11,563
Principal paid on long-term debt maturities, net of deferred debits	<u>(788,331)</u>
Net cash used by capital and related financing activities	<u>(2,850,110)</u>
Cash flows from investing activities:	
Interest received on investments	270,446
Proceeds from decrease of other noncurrent assets	261
Advances from (repayments to) city, net	<u>26,802</u>
Net cash provided by investing activities	<u>297,509</u>
Net increase in cash and cash equivalents	2,941,010
Cash and cash equivalents, beginning of year	<u>15,325,903</u>
Cash and cash equivalents, end of year	<u><u>\$ 18,266,913</u></u>

(Continued)

ETOWAH UTILITIES BOARD

Statement of Cash Flows
(Continued)

For the Fiscal Year Ended June 30, 2019

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

Operating income	\$ 4,088,604
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,197,759
(Increase) decrease in assets and deferred outflows:	
Accounts receivable	185,045
Other current assets	(3,737)
Materials and supplies inventories	(108,751)
Deferred outflow related to pension plan	34,515
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(192,864)
Net pension liability	(294,322)
Deferred inflow related to pension plan	228,468
Accrued expenses	(93,749)
Customer deposits	(3,645)
Net cash provided by operating activities	<u>\$ 6,037,323</u>

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

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

(b) Basis of Presentation

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

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

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

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

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

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

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

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

Regulated Operations (Continued)

The Electric Department also has a power contract with TVA whereby the Electric Department purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The contract is a renewing contract between the parties.

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

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

Revenue Recognition – The Utilities Board records revenue as billed to its customers based on a monthly meter reading cycle. Any electric, gas, water and sewer services rendered from the latest billing cycle date to the end of the month are recorded as unbilled revenue in the financial statements. Management estimates the recorded unbilled revenue amounts for all services totaled \$1,315,003 as of June 30, 2019.

The Utility extends unsecured credit to its customers in the ordinary course of business and mitigates the associated credit risk by performing ongoing credit evaluations, actively pursuing past due accounts, and requiring deposits from certain customers. An allowance for doubtful accounts has been established based upon a review of outstanding balances, historical collection information and existing economic conditions. Credit losses are written off to the allowance at the time they are deemed not to be collectible.

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

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

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 83, "Asset Retirement Obligations" – The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2018.

Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" – The requirements of this Statement are effective for financial reporting periods beginning after June 15, 2018.

These Statements have had no effect on the Utilities Board's financial statements.

ETOWAH UTILITIES BOARD

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

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

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

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

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

Structures and improvements	40 – 50 years
Equipment	10 – 20 years
Transmission, distribution and collection plants	15 – 75 years

Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and betterments are capitalized while expenditures for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations incurred.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will 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. The Utilities Board has several items that qualify for reporting in this category. These include accumulated changes in fair value of hedging derivatives, pension contributions subsequent to the measurement date, changes in assumptions - pension, differences between expected and actual experience – pension, changes in proportion and proportionate share of contributions – pension and other pension outflows and inflows.

In addition to liabilities, the statement of financial position will 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 Utilities Board has four types of items that qualify for reporting in these categories. These are the differences between projected and actual earnings on pension plan investments, changes of experience and assumptions related to pension plan and changes in assumptions for the other postemployment benefits. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Assets, Liabilities and Net Position (Continued)

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

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets.
- Restricted for debt service – Consists of net position with constraints placed on its use by revenue bond resolution.
- Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Postemployment Benefits Other Than Pension Plans (OPEB) – The Utilities Board follows the provisions of Governmental Accounting Standards Board Statement No. 75, “Financial Reporting for Postemployment Benefit Plans Other Than Pensions.” The Utilities Board does not maintain a funded fiduciary trust for the OPEB benefit liability and the related payment of benefits under the terms of the unfunded Plan, but rather uses a pay as you go method for paying Plan benefits on behalf of retired employees as they become due. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, the Utilities Board obtains a bi-annual actuarial valuation report to determine the estimated amounts of each item reflected in the Utilities Board’s financial statements as of and for the years ending June 30, 2018 and 2019. See Note (10) of the “Notes to Basic Financial Statements.”

Retirement Plan – The Utilities Board has a single-employer, contributory, defined benefit plan covering substantially all employees. The Utilities Board makes annual contributions to the plan equal to the amounts accrued for pension expense. Pension expense includes amortization of past service cost over 40 years. 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 Etowah 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. The Utilities Board elected to implement these standards on the prospective basis. See Note (8) of the “Notes to Basic Financial Statements.”

Interest Rate Swaps – The Utilities Board’s net income and cash flows may be negatively impacted by fluctuating interest rates. To manage this market risk, the Utilities Board entered into interest rate swap contracts (“swaps”). Such contracts are designed to effectively convert the cost of floating interest rates on long term debt to fixed rates of interest. Through the mechanics of the contracts, the difference between the contracted fixed rate and the current 30-day LIBOR market rate is determined each month. The Utilities Board either pays or receives an amount determined by the difference applied to notional amounts stated in the contracts.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Assets, Liabilities and Net Position (Continued)

Interest Rate Swaps (Continued)

The difference received or paid on swaps is included in interest expense. The Utilities Board's derivatives qualify for hedge accounting; therefore, the change in fair value of the derivative is not recorded in current year earnings each period. The fair values of the swaps are based on dealer quotes. Fair value represents amounts the Utilities Board would receive or pay to terminate the agreements, using current prevailing interest rates at a given valuation date. The changes in fair values of the swap contracts are primarily based upon the length of time to maturity for the contracts as well as fluctuations in the market variable interest rates to which they are tied. Accordingly, increases or decreases in market variable interest rates would likely cause the fair value of the swap contracts to increase or decrease, respectively.

Compensated Absences – The Utilities Board recognizes the cost of vacation pay as it is earned. Employees are allowed to accumulate and carry 62.5 days of unused vacation benefits. The maximum number of weeks permitted to be carried over is determined based on specified years of service requirements. The Utilities Board has accrued the estimated liability for the vested vacation leave benefit and included the amount in accrued expenses on the accompanying statement of net position.

The cost of sick pay benefits is recognized when earned. Employees are allowed to accumulate and carry over unlimited sick leave. Employees are to be paid for a maximum of 60 days at retirement, with the exception of certain employees hired prior to March 24, 1986. Accrued sick leave for employees hired prior to March 24, 1986 who had accumulated between 60 and 240 days are paid upon retirement for their full amount of accumulated days not to exceed 240 days or at the date of the policy change they were given the opportunity to sell the number of accumulated days exceeding 60 days back to the Utilities Board at 80% of its value. Most qualified employees hired prior to March 24, 1986 chose the payout option and now follow the normal policy. Upon termination for reasons other than retirement, sick leave benefits are forfeited for all employees. The Utilities Board has partially accrued the estimated sick leave liability and included the amount in accrued expenses on the accompanying statement of net position.

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

(e) Taxes – Municipal utilities are exempt from federal and state income taxes.

(f) Capitalization of Interest – Interest expense in excess of interest earnings on unexpended construction funds from related debt issues is capitalized when considered material.

ETOWAH UTILITIES BOARD

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

Cash and cash equivalents consisted of the following at June 30, 2019:

	Electric Department	Gas Department	Water Department	Sewer Department	Total
Cash on hand and in banks:					
Unrestricted	\$ 3,612,653	\$ 6,348,186	\$ 3,488,300	\$ 1,765,188	\$ 15,214,327
Restricted	1,223,742	438,948	928,604	461,292	3,052,586
	<u>\$ 4,836,395</u>	<u>\$ 6,787,134</u>	<u>\$ 4,416,904</u>	<u>\$ 2,226,480</u>	<u>\$ 18,266,913</u>

Interest rates ranged from 0.00% to 2.38% at June 30, 2019.

At June 30, 2019, all cash and cash equivalents were insured by federal depository insurance and/or insured through the State of Tennessee Bank Collateral Pool. Investment policies of the Utilities Board follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. government.

(3) Due To/From Other Departments

Accounts receivable for all systems are billed and collected by the Electric Department. Interdepartmental receivables and payables are utilized to account for these transfers and are eliminated in the process of combining departments.

(4) Capital Assets

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land and land rights	\$ 334,583	\$ -	\$ -	\$ 334,583
Construction work in progress	233,328	230,253	-	463,581
Total capital assets, not being depreciated	567,911	230,253	-	798,164
Capital assets, being depreciated:				
Distribution plant	67,131,935	1,011,793	149,898	67,993,830
General plant	4,568,289	117,712	26,955	4,659,046
Total capital assets, being depreciated	71,700,224	1,129,505	176,853	72,652,876
Less accumulated depreciation for:				
Distribution plant	23,675,197	2,049,819	295,475	25,429,541
General plant	3,622,335	154,172	26,684	3,749,823
Total accumulated depreciation	27,297,532	2,203,991	322,159	29,179,364
Total capital assets, being depreciated, net	44,402,692	(1,074,486)	(145,306)	43,473,512
Total capital assets, net	<u>\$ 44,970,603</u>	<u>\$ (844,233)</u>	<u>\$ (145,306)</u>	<u>\$ 44,271,676</u>

ETOWAH UTILITIES BOARD
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets (Continued)

Depreciation expense was \$2,203,991 in 2019 of which \$6,232 was charged to overhead clearing accounts.

(5) Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

<u>Bonds Payable</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Electric System Revenue Bonds:					
Series 2013A	\$ 3,305,000	\$ -	\$170,000	\$ 3,135,000	\$160,000
Series 2013B	815,000	-	155,000	660,000	160,000
Gas Revenue and Tax Bonds:					
Series VII - G - 1	1,165,000	-	100,000	1,065,000	100,000
Water Revenue and Tax Bonds:					
Series VII - G - 1	6,235,000	-	-	6,235,000	-
Series 2013A	675,000	-	220,000	455,000	230,000
Total bonds payable	<u>12,195,000</u>	<u>-</u>	<u>645,000</u>	<u>11,550,000</u>	<u>650,000</u>
<u>Notes Payable</u>					
Water Department - Note Payable to Town of Englewood	167,857	-	5,239	162,618	5,409
Water Department - Rural Development Loan	1,069,746	-	19,040	1,050,706	19,702
Sewer Department - SRFL - 15 - 347	293,762	-	14,280	279,482	14,364
Sewer Department - SRFL - CWS - 14 - 340	909,223	-	44,808	864,415	45,084
Sewer Department - Rural Development Loan	1,211,891	-	21,624	1,190,267	22,360
Sewer Department - Tennessee State Revolving Loan	730,330	-	38,340	691,990	38,508
Total notes payable	<u>4,382,809</u>	<u>-</u>	<u>143,331</u>	<u>4,239,478</u>	<u>145,427</u>
	<u>\$16,577,809</u>	<u>\$ -</u>	<u>\$788,331</u>	<u>\$ 15,789,478</u>	<u>\$795,427</u>

ETOWAH UTILITIES BOARD

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

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

Bonds Payable

2.00% - 3.00% Electric Revenue Bonds, Series 2013A, due in annual principal installments ranging from \$170,000 to \$275,000 through 2033.	\$ 3,135,000
2.00% - 3.00% Electric Revenue Bonds, Series 2013B, due in annual principal installments ranging from \$155,000 to \$170,000 through 2023.	660,000
Variable Gas Revenue Bonds, Series VII - G - 1, due in annual principal installments ranging from \$100,000 to \$155,000 through 2028.	1,065,000
Variable Water Revenue Bonds, Series VII - G - 1, due in annual principal installments ranging from \$250,000 to \$620,000 through 2036.	6,235,000
2.00% Water Revenue Bonds, Series 2013A, due in annual principal installments ranging from \$220,000 to \$225,000 through 2021.	<u>455,000</u>
Total bonds payable	11,550,000
Less current installments	<u>650,000</u>
	<u>10,900,000</u>

Notes and Loans Payable

Capital outlay note payable at 3.375% in monthly payments of principal and interest of \$9,736 through May 2050.	1,050,706
Note payable to the Tennessee Valley Authority, due in quarterly principal installments of \$6,250, plus accrued interest at the variable TVA Loan Rate plus one-half % through 2024.	1,190,267
Note payable to the Town of Englewood at 4.75%, due in monthly principal and interest installments of \$1,090 through June 2039.	162,618
Loan payable to the State of Tennessee Revolving Fund Loan Program totaling \$500,000, interest rate is currently 0.67% paid monthly on drawn funds. Principal and interest will be amortized monthly over an expected 20 years at the close of the financed Sewer Department Capital Project.	279,482
Note payable to the State of Tennessee Revolving Fund Loan Program, interest rate is currently 0.68%. The \$1,000,000 loan includes a forgivable portion of \$50,000. Principal and interest is amortized monthly over 20 years.	864,415
Loan payable to the State of Tennessee Revolving Fund Loan Program, interest rate is currently 0.56%. The \$1,000,000 loan includes a forgivable portion of \$200,000. Principal and interest is amortized monthly over 20 years.	<u>691,990</u>
Total notes and loans payable	4,239,478
Less current maturities	<u>145,427</u>
	<u>4,094,051</u>
Total long-term debt, excluding current maturities	<u>\$14,994,051</u>

ETOWAH UTILITIES BOARD

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

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

	Principal	Interest	Total
2020	\$ 795,427	\$ 568,624	\$ 1,364,051
2021	812,745	550,259	1,363,004
2022	840,147	531,097	1,371,244
2023	897,602	503,237	1,400,839
2024	755,136	473,154	1,228,290
2025-2029	4,281,366	1,908,046	6,189,412
2030-2034	4,441,857	1,073,656	5,515,513
2035-2039	1,904,957	309,903	2,214,860
2040-2044	441,601	143,053	584,654
2045-2049	513,849	61,936	575,785
2050 & thereafter	104,791	1,428	106,219
	<u>\$ 15,789,478</u>	<u>\$ 6,124,393</u>	<u>\$ 21,913,871</u>

(6) Derivative Instrument – Interest Rate Swap

At June 30, 2019, the Utilities had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$7.525 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 7,525,000	12-16-10	6-1-36	Pay 3.88% Receive 63.0% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2019		June 30, 2019 Notional Amount
	Classification	Amount	Classification	Amount	
Hedging derivative:					
Pay fixed interest rate swap:	Deferred Outflow of Resources				
\$7.525 M Swap		<u>\$ (243,675)</u>	Debt	<u>\$ (1,448,366)</u>	<u>\$ 7,525,000</u>

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(6) Derivative Instrument – Interest Rate Swap (Continued)

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Position as either deferred inflows or deferred outflows. The swap agreement described above did meet that criteria, and therefore is classified as a hedging derivative.

Under its loan agreement, the Public Building Authority of Blount County, Tennessee (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all its outstanding Local Government Improvement Bonds, Series A-9-A, totaling \$7,600,000 which were issued in December 2010.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$7.525 million Series A-9-A variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series A-9-A bonds have since been refunded with a portion of the proceeds of the Series VII-G-1 bonds and the interest rate swap is now associated with the Series VII-G-1 bonds.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.681 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of \$7.525 million and the associated variable-rate bond had a \$7.525 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-G-1 bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2036. As of June 30, 2019, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.681%
Variable payment from counterparty	% LIBOR	<u>-1.112%</u>
Net interest rate swap payments		2.569%
Variable-rate bond coupon payments		2.794%
On-going Variable-rate bond payments		<u>0.250%</u>
Effective Synthetic interest rate on bonds		<u><u>5.613%</u></u>

Fair value. As of June 30, 2019, the swap had a negative fair value of (\$1,448,366). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(6) Derivative Instrument – Interest Rate Swap (Continued)

Credit risk. As of June 30, 2019, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa Bank, who was rated "A+" by Standard and Poor's, "AA-" by Fitch Ratings and "Aa3" by Moody's Investor Service at the time the interest rate swap agreement was entered into. If Depfa's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2019, Depfa's credit rating is similar to the credit rating at the time of agreement and was rated "A2/A-" by Moody's, Standard and Poor's, and Fitch Ratings, respectively. The counterparty has posted all collateral requirements with a third-party custodian.

Basis risk. As noted above, the swap exposes the City to basis risk should the rate on the Bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2020	\$ 100,000	\$ 201,897	\$ 185,614	\$ 487,511
2021	100,000	199,102	183,045	482,147
2022	350,000	196,308	180,476	726,784
2023	375,000	186,528	171,484	733,012
2024	400,000	176,048	161,850	737,898
2025-2029	2,250,000	697,208	640,978	3,588,186
2030-2034	2,500,000	377,247	346,822	3,224,069
2035-2039	1,150,000	48,902	44,958	1,243,860
	<u>\$ 7,225,000</u>	<u>\$ 2,083,240</u>	<u>\$ 1,915,227</u>	<u>\$ 11,223,467</u>

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(7) Accrued Expenses

Accrued expenses consisted of the following:

Compensated absences – sick leave	\$ 385,878
Compensated absences – vacation leave	350,810
Accrued payroll	123,286
OPEB liability	239,241
Other accrued expenses and deferred credits	<u>80,707</u>
	<u>\$1,179,922</u>

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

Plan Description. Etowah Utilities Board Pension Plan (the Plan), provides pensions for all eligible employees of Etowah Utilities Board. The Board administers the Plan and establishes and amends all plan provisions. The Plan issues a publicly available financial report that 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 25 years of age and have completed thirty-six months of service. The eligible employee will become a participant effective as of the July 1 coinciding with or next following date 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 65. The monthly normal retirement benefit for the Plan participants is calculated as 2.75 percent of the participant's average monthly compensation, multiplied by the number of his years of credited service up to a maximum of 20 years or 1.03 percent of average compensation times years of service plus .72 percent of such compensation which is in excess of \$7,800, times years of service. The normal form of benefit paid is a single life annuity with 10 years certain. Early retirement age is the date the participant has both attained age 55 and with fifteen years of credited service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit. Benefit terms do not provide for any cost-of-living adjustments.

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

Active employees	45
Terminated vested and disabled participants	5
Retirees	<u>20</u>
Total	<u>70</u>

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. Employees are not required to contribute to the Plan. For the Utilities Board's year ended June 30, 2019 (Plan measurement year ended June 30, 2018), the Utilities Board's average contribution rate was 22.82%. Contributions to the Plan from the Utilities Board were \$624,000 for the year ended June 30, 2019.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(8) Retirement Plan (Continued)Etowah Utilities Board Pension Plan (Continued)Net Pension Liability

At June 30, 2019, the Utilities Board reported a liability of \$2,875,334 for the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019, the Utilities Board recognized pension expense of \$641,670.

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

Inflation	2.40 percent per annum
Salary increases	3.50 percent per annum
Investment rate of return	7.25 percent per annum

Mortality rates were based on the PPA Small Plan Combined Static Mortality for 2016 for both pre-retirement and post-retirement.

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, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined on the basis of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class*	Target Allocation	Long-Term Expected Real Rate of Return**
US Equity - Large Cap	20.00%	6.10%
US Equity - Small/Mid Cap	28.00%	7.46%
Non-US Equity - Developed	10.00%	6.81%
Non-US Equity - Emerging	5.00%	9.23%
US Corporate Bonds - Core	13.00%	2.10%
US Corporate Bonds - High Yield	6.00%	3.86%
Non-US Debt - Developed	6.00%	1.05%
US Treasuries (Cash Equivalents)	7.00%	0.60%
Real Estate	5.00%	5.06%
Total	100.00%	

*Asset Classes as stated in the Horizon - CMA survey

**Long-term real rates of return were provided by USI Advisors. Returns are arithmetic means.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(8) Retirement Plan (Continued)Etowah Utilities Board Pension Plan (Continued)Net Pension Liability (Continued)

Discount rate. The discount rate used to measure total pension liability was 7.25 percent. 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 Utility contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan's Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balance*	\$ 10,839,349	\$ 7,669,694	\$ 3,169,655
Changes for the year:			
Service cost	276,541	-	276,541
Interest expense	787,763	-	787,763
Changes in benefit terms	132,768	-	132,768
Differences between expected and actual experience	91,153	-	91,153
Changes of assumptions	(232,975)	-	(232,975)
Contributions - employer	-	624,000	(624,000)
Contributions - employee	-	-	-
Net investment income	-	730,214	(730,214)
Benefits paid	(509,307)	(509,307)	-
Plan administrative expenses	-	(4,643)	4,643
Net changes	545,943	840,264	(294,321)
Ending balance*	\$ 11,385,292	\$ 8,509,958	\$ 2,875,334

* The measurement date of the beginning balance was June 30, 2017 and the measurement date of the ending balance was June 30, 2018. The reporting date of the beginning balance is June 30, 2018 and the reporting date of the ending balance is June 30, 2019.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(8) Retirement Plan (Continued)Etowah Utilities Board Pension Plan (Continued)Changes in the Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability calculated using the discount rate of 7.25 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 (6.25 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%)
Utilities Board's proportionate share of the net pension liability	\$ 4,200,850	\$ 2,875,334	\$ 1,740,481

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

At June 30, 2019, 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
Pension contributions made after the net pension liability measurement date	\$ 672,000	\$ -
Differences between expected and actual experience	342,731	66,764
Changes of assumptions	291,841	577,561
Differences between projected and actual earnings on pension plan investments	272,858	346,184
Total	<u>\$ 1,579,430</u>	<u>\$ 990,509</u>

ETOWAH UTILITIES BOARD

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

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended June 30:

2019	\$ 89,597
2020	27,535
2021	(77,862)
2022	(7,868)
2023	26,182
Thereafter	(140,663)

(9) Risk Management

The Utilities Board is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utilities Board purchases commercial insurance for all of these risks of loss. There were no reductions in limits of liability or in the amount of coverage of insurance policies in effect during 2019 from those in effect during 2018. Settled claims have not exceeded this commercial coverage in any of the past three year fiscal years.

(10) Other Postemployment Benefits (OPEB) Plan**Etowah Utilities Board OPEB Plan**

Plan Description - The Utilities Board's defined benefit OPEB plan (the "Plan"), provides OPEB for all employees retiring after age 55. The Plan is a single-employer defined benefit OPEB plan administered by the Utilities Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides health and life insurance benefits for retirees and their spouse for up to three years or until the retiree reaches age 65. The Utilities Board pays 100% of the medical and life premiums of the retiree and \$750 toward dependent coverage. The Plan provides a life benefit of \$15,000. Coverage ceases at age 65 for both the retiree and their spouse.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	-
Active employees	52
	<hr/>
	60
	<hr/>

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(10) Other Postemployment Benefits (OPEB) Plan (Continued)Etowah Utilities Board OPEB Plan (Continued)**Total OPEB Liability**

The Utilities Board's total OPEB liability of \$239,241 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.50 percent
Salary Increases	2.50 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	8.00 percent for 2018, decreasing 1 percent per year to an ultimate rate of 5 percent for 2021 and later years
Retirees' share of benefit-related costs	Premiums exceeding \$750 per month for dependent coverage, if applicable

The discount rate was based on the Bond Buyer's 20 Year Bond Index as of July 1, 2018.

Mortality rates were based on the RP-2000 Combined Male and Female Fully Generational Mortality Table with projection scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based upon the results of an actuarial experience study for the period from July 1, 2015 through July 1, 2017.

Changes in the Total OPEB Liability

	Total 7/1/2018 Liability (a)
Balance at 7/1/17	\$ 226,117
Changes for the year:	
Service cost	9,347
Interest	8,882
Changes in assumptions and other inputs	6,895
Benefit payments	(12,000)
Net changes	13,124
Balance at 6/30/18	\$ 239,241

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(10) Other Postemployment Benefits (OPEB) Plan (Continued)Etowah Utilities Board OPEB Plan (Continued)

Changes in Assumptions – The discount rate was changed from 3.87% as of the beginning of the measurement period to 3.50% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utilities Board, as well as what the Utilities Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability (asset)	\$ 259,314	\$ 239,241	\$ 221,244

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utilities Board, as well as what the Utilities Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8 percent decreasing 1 percent until 4 percent is reached) or 1-percentage-point higher (10 percent decreasing 1 percent until 6 percent is reached) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing 1.00% until 4.00% is reached)	Healthcare Cost Trend Rates (8.00% decreasing 1.00% until 5.00% is reached)	1% Increase (9.00% decreasing 1.00% until 6.00% is reached)
Net OPEB liability (asset)	\$ 214,716	\$ 239,241	\$ 267,498

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

For the fiscal year ended June 30, 2019, the Utilities Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	3,452
Employer payments subsequent to the measurement date	-	-
Total	\$ -	\$ 3,452

ETOWAH UTILITIES BOARD

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

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

For the year ended June 30:

2020	\$ (242)
2021	(242)
2022	(492)
2023	(563)
2024	(446)
Thereafter	(1,467)

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

(11) Segment Information

The following departmental information is shown as of and for the year ended June 30, 2019:

	Electric Department	Gas Department	Water Department	Sewer Department
Assets:				
Current assets	\$ 6,053,879	\$ 6,932,615	\$ 4,193,388	\$ 2,040,870
Non-current assets	1,232,183	438,948	928,604	461,292
Capital assets, net	17,216,391	4,405,374	14,772,294	7,877,617
Other assets	108,040	-	-	-
Total assets	\$ 24,610,493	\$ 11,776,937	\$ 19,894,286	\$ 10,379,779
Deferred outflows of resources	\$ 664,483	\$ 445,296	\$ 1,643,030	\$ 143,771
Liabilities:				
Current liabilities	\$ 4,697,125	\$ 201,853	\$ 786,004	\$ 298,250
Long-term debt, excluding current maturities	3,475,000	965,000	7,648,214	2,905,837
Derivative instrument - interest rate swap	-	260,141	1,188,225	-
Net pension liability	1,271,487	505,718	809,760	288,369
Other liabilities	107,956	-	-	-
Total liabilities	\$ 9,551,568	\$ 1,932,712	\$ 10,432,203	\$ 3,492,456
Deferred inflows of resources	\$ 316,038	\$ 115,496	\$ 200,158	\$ 89,411
Net position:				
Net investment in capital assets	\$ 13,421,391	\$ 3,340,374	\$ 6,868,969	\$ 4,851,464
Restricted for debt service	1,223,742	438,948	928,604	461,292
Unrestricted	762,237	6,394,703	3,107,382	1,628,927
	\$ 15,407,370	\$ 10,174,025	\$ 10,904,955	\$ 6,941,683

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(11) Segment Information (Continued)

	Electric Department	Gas Department	Water Department	Sewer Department
Operating revenues	\$ 21,850,382	\$ 7,455,721	\$ 3,724,196	\$ 1,616,684
Operating expenses:				
Purchasing energy	16,996,999	5,143,709	-	-
Distribution and treatment	161,607	60,208	799,810	467,336
Customer account services	241,901	144,628	190,372	35,412
Administration and general	1,008,377	436,992	614,044	289,647
Maintenance	755,256	402,491	395,097	216,734
Depreciation	949,240	177,223	875,717	195,579
	20,113,380	6,365,251	2,875,040	1,204,708
Operating income	1,737,002	1,090,470	849,156	411,976
Non-operating revenues (expenses):				
Interest income	62,068	92,100	86,147	30,131
Interest expense	(105,846)	(57,753)	(367,844)	(54,085)
Amortization of debt expense	(4,131)	(2,043)	(5,508)	(99)
Gain on the sale of assets	4,000	-	-	-
	(43,909)	32,304	(287,205)	(24,053)
Income before contributions and transfers	1,693,093	1,122,774	561,951	387,923
Government and customer contributions	-	-	7,015	11,563
Transfers to local government - in lieu of tax	(417,195)	(126,517)	-	-
Change in net position	1,275,898	996,257	568,966	399,486
Net position, beginning	14,131,472	9,177,768	10,335,989	6,542,197
Net position, ending	\$ 15,407,370	\$ 10,174,025	\$ 10,904,955	\$ 6,941,683
Net cash provided by operating activities	\$ 2,558,484	\$ 1,132,723	\$ 1,700,761	\$ 645,355
Net cash provided (used) by noncapital and related financing activities	(458,118)	(108,536)	12,941	10,001
Net cash used by capital and related financing activities	(1,336,182)	(224,942)	(1,045,361)	(243,625)
Net cash provided by investing activities	89,131	92,100	86,147	30,131
Net increase in cash and cash equivalents	853,315	891,345	754,488	441,862
Cash and cash equivalents, beginning of year	3,983,080	5,895,789	3,662,416	1,784,618
Cash and cash equivalents, end of year	\$ 4,836,395	\$ 6,787,134	\$ 4,416,904	\$ 2,226,480

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements (Continued)

(12) Tennessee Valley Authority's Energy Right Program

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

(13) Concentration of Credit Risk

The Utilities Board sells electric power, natural gas, water and sewer services, on credit terms, to residential, industrial and commercial customers located in and around the City of Etowah, Tennessee. Approximately 39 large lighting and power customers comprise approximately 57% of electric revenue for 2019. Gas sales to 3 customers comprise approximately 86% of gas revenue for 2019. Water sales to 3 gas customers comprise 32% of water revenue for 2019. Sewer sales to 2 of the 3 water customers mentioned above comprise 56% of sewer revenue for 2019.

(14) Commitments

The Utilities Board has long-term contracts with Tennessee Gas Pipeline East Tennessee Natural Gas Company for natural gas transportation and storage for its own use and for resale and distribution to its customers. These contracts expire in March and October 2025. The Utilities Board has an annual gas marketing agreement with Atmos Energy Marketing for the procurement of natural gas supply and management.

The Utilities Board's two largest gas customers purchase gas from the Utilities Board and from sources outside the East Tennessee Natural Gas supply system. The Utilities Board delivers the gas through its existing pipeline and bills those customers a pipeline charge which approximates the Utility Board's margin on gas sales. These contracts were renegotiated during 1999 for a period of 10 years. Effective July 1, 2009, the Utilities Board and the two customers have agreed to renew the contracts annually.

(15) Facilities and Line Rentals

During 2012, the Utilities Board purchased a substation from TVA that they had rented use from in prior years. The Utilities Board still continues to pass \$26,422 per month of this cost to the customer for its portion of the substation usage.

The Utilities Board leases certain poles to telephone and cable companies for transmission and cable service. Rent received from each company is variable and is payable semi-annually. Pole rental received for the year ended June 30, 2019 totaled \$202,788. The Utilities Board also leases poles from one of the telephone companies for power transmission for \$1,045 per month.

Total rental income for the year ended June 30, 2019 was \$519,852. All rental income was from the electric department. Rental expense is included in distribution and collection expense.

ETOWAH UTILITIES BOARD

Notes to Basic Financial Statements
(Continued)(16) Fair Value Measurements

The Utilities Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Utilities Board has the following recurring fair value measurements as of June 30, 2019:

- \$7.525M 63.0% CMS Swap Rev A-9-A/Rev VII-G-1 is valued using 5-year forward CMS/ 3M LIBOR Zero Curve/A Rated General Obligation Curve/ LIBOR Swaption Volatility (Level 2 inputs)

(17) Subsequent Events

Management has evaluated subsequent events through November 22, 2019, which is the date these financial statements were available for distribution.

REQUIRED SUPPLEMENTARY INFORMATION

ETOWAH UTILITIES BOARD

Schedule of Changes in the Etowah Utilities Board's
Net Pension Liability and Related Ratios

Last 10 Fiscal Years (Only applicable after 2014)*

Measurement Period Ended	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Total pension liability					
Service cost	\$ 276,541	\$ 274,463	\$ 231,227	\$ 238,675	\$ 230,604
Interest	787,763	773,079	706,859	657,836	619,028
Changes of benefit terms	132,768	155,218	0	0	0
Differences between expected and actual experience	91,153	(67,382)	375,038	(21,958)	0
Changes of assumptions	(232,975)	(456,805)	0	514,622	0
Benefit payments, including refunds of employee contributions	(509,307)	(448,007)	(438,123)	(369,062)	(312,491)
Net change in total pension liability	545,943	230,566	875,001	1,020,113	537,141
Total pension liability - beginning	10,839,349	10,608,783	9,733,782	8,713,669	8,176,528
Total pension liability - ending (a)	\$ 11,385,292	\$ 10,839,349	\$ 10,608,783	\$ 9,733,782	\$ 8,713,669
Plan fiduciary net position					
Contributions - employer	\$ 624,000	\$ 552,000	\$ 528,941	\$ 492,042	\$ 420,840
Contributions - employee	0	0	0	0	0
Net investment income (loss)	730,214	841,391	(39,513)	158,076	859,837
Benefit payments, including refunds of employee contributions	(509,307)	(448,007)	(438,123)	(369,062)	(312,491)
Administrative expense	(4,643)	(5,169)	(2,119)	(1,538)	(1,318)
Other	0	0	0	0	0
Net change in plan fiduciary net position	840,264	940,215	49,186	279,518	966,868
Plan fiduciary net position - beginning	7,669,694	6,729,479	6,680,293	6,400,775	5,433,907
Plan fiduciary net position - ending (b)	\$ 8,509,958	\$ 7,669,694	\$ 6,729,479	\$ 6,680,293	\$ 6,400,775
Net pension liability - ending (a) - (b)	\$ 2,875,334	\$ 3,169,655	\$ 3,879,304	\$ 3,053,489	\$ 2,312,894
Plan fiduciary net position as a percentage of the total pension liability	74.75%	70.76%	63.43%	68.63%	73.46%
Covered payroll	\$ 2,734,357	\$ 2,511,370	\$ 2,431,049	\$ 2,227,007	\$ 2,429,564
Net pension liability as a percentage of covered payroll	105.16%	126.21%	159.57%	137.11%	95.20%

Notes to Schedule

The amounts presented for each fiscal year were determined as of June 30 of the prior 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.

ETOWAH UTILITIES BOARD
Schedule of Board Contributions
Last 10 Fiscal Years (Only applicable after 2014)**

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 543,773	\$ 589,532	\$ 512,316	\$ 448,218	\$ 448,218	\$ 454,816
Contributions in relation to the actuarially determined contribution	672,000	624,000	552,000	528,941	492,042	420,840
Contribution deficiency (excess)	\$ (128,227)	\$ (34,468)	\$ (39,684)	\$ (80,723)	\$ (43,824)	\$ 33,976
Covered payroll	\$ 2,955,321	\$ 2,734,357	\$ 2,511,370	\$ 2,431,049	\$ 2,227,007	\$ 2,429,564
Contributions as a percentage of covered payroll	22.74%	22.82%	21.98%	21.76%	22.09%	17.32%

Notes to Schedule

Valuation 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:	Individual Entry Age Normal, level percentage of compensation
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	26 years as of 7/1/18
Asset valuation method:	Five-year asset average spreading investment gains and losses
Salary increases:	3.50%
Cost of living increases:	N/A
Investment rate of return:	7.25% per annum. Prior year rate was 7.25% per annum
Retirement age:	50% at age 62, 50% at age 65
Mortality:	Pre-Retirement: IRS 2018 Optional Combined Table Post Retirement: TCRS Mortality
Disabled mortality:	N/A

* This is a summary of the methods and assumptions for the 7/1/2017 to 6/30/2018 plan year.

Schedule of Investment Returns

Measurement period ended June 30,	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return Net of investment expense	5.93%	9.45%	12.44%	-0.53%	2.43%	15.68%

** 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.

ETOWAH UTILITIES BOARD

Schedule of Changes in Etowah Utilities Board's
Total OPEB Liability and Related Ratios

For the Last 10 Measurement Periods Ended on June 30*

	2018	2017
Total OPEB liability		
Service cost	\$ 9,347	\$ 9,474
Interest	8,882	8,283
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	6,895	(5,473)
Benefit payments	(12,000)	(16,017)
Net change in total OPEB liability	13,124	(3,733)
Total OPEB liability - beginning	226,117	229,850
Total OPEB liability - ending (a)	<u>\$ 239,241</u>	<u>\$ 226,117</u>
Covered payroll	\$ 3,148,264	\$ 3,071,477
Total OPEB liability as a percentage of covered payroll	7.60%	7.36%

Notes to Schedule*Changes of benefit terms* - None*Changes in assumptions* - Discount rate decreased from 3.87% to 3.50%

The healthcare cost trend rate was reset at 9.0% for 2017, grading down 1.0% per annum to an ultimate trend rate of 5.0% for year 2021 and later.

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

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

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

ETOWAH UTILITIES BOARD

Schedule of Expenditures of Federal and State Awards*

For the Fiscal Year Ended June 30, 2019

<u>Federal or State Grantor / Pass-Through Grantor</u>	<u>Program / Cluster Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Federal Awards:				
U.S. Department of Housing and Urban Development - Pass-through from Tennessee Department of Economic and Community Development	2017 CDBG - Sewer System Improvements	14.228	304320-12018	\$ 11,563
Total Federal Awards				<u>11,563</u>
State Awards:				
None noted				<u>-</u>
Total State Awards				<u>-</u>
Total Federal and State Awards				<u><u>\$ 11,563</u></u>

*Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting

See independent auditor's report.

ETOWAH UTILITIES BOARD

Combining Statement of Net Position

June 30, 2019

	Electric Department	Gas Department	Water Department	Sewer Department	Totals
<u>ASSETS</u>					
Current assets:					
Cash on hand and in banks	\$ 3,612,653	\$ 6,348,186	\$ 3,488,300	\$ 1,765,188	\$ 15,214,327
Receivables:					
Customers, less allowance for doubtful accounts of \$392,580	1,581,436	(120,353)	371,459	148,973	1,981,515
Unbilled revenue	585,319	383,605	228,483	117,596	1,315,003
Other	70,578	1,046	3,486	(406)	74,704
Materials and supplies inventories	203,893	320,131	101,660	9,519	635,203
Total current assets	6,053,879	6,932,615	4,193,388	2,040,870	19,220,752
Non-current assets:					
Restricted cash	1,223,742	438,948	928,604	461,292	3,052,586
Other assets	8,441	-	-	-	8,441
Total non-current assets	1,232,183	438,948	928,604	461,292	3,061,027
Capital assets	24,863,597	7,445,870	30,106,302	11,035,271	73,451,040
Less accumulated depreciation	7,647,206	3,040,496	15,334,008	3,157,654	29,179,364
Net capital assets	17,216,391	4,405,374	14,772,294	7,877,617	44,271,676
Receivable - Tennessee Valley Authority Residential Energy Services Program	108,040	-	-	-	108,040
Total assets	24,610,493	11,776,937	19,894,286	10,379,779	66,661,495
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Unamortized debt cost	56,802	18,383	63,408	3,049	141,642
Accumulated decrease in fair value of hedging derivatives	-	260,141	1,188,225	-	1,448,366
Pension contributions made after the net pension liability measurement date	300,071	121,318	172,326	78,285	672,000
Changes in assumptions - pension	128,464	47,526	81,319	34,532	291,841
Differences between expected and actual experience - pension	151,688	58,982	96,518	35,543	342,731
Changes in proportion and differences between contributions and proportionate share of contributions - pension	27,458	(61,054)	41,234	(7,638)	-
Total deferred outflows of resources	664,483	445,296	1,643,030	143,771	2,896,580

(Continued)

ETOWAH UTILITIES BOARD

Combining Statement of Net Position
(Continued)

June 30, 2019

	Electric Department	Gas Department	Water Department	Sewer Department	Totals
<u>LIABILITIES</u>					
Current liabilities:					
Current maturities of long-term debt	\$ 320,000	\$ 100,000	\$ 255,111	\$ 120,316	\$ 795,427
Accounts payable:					
Trade	3,279,590	504,964	11,227	15,690	3,811,471
Due to other departments	396,068	(570,026)	101,565	72,393	-
Due to city	53,881	-	-	-	53,881
Accrued expenses	505,055	166,915	418,101	89,851	1,179,922
Customer deposits	142,531	-	-	-	142,531
Total current liabilities	4,697,125	201,853	786,004	298,250	5,983,232
Long-term debt, excluding current maturities	3,475,000	965,000	7,648,214	2,905,837	14,994,051
Derivative instrument - interest rate swap	-	260,141	1,188,225	-	1,448,366
Advances from Tennessee Valley Authority Residential Energy Services Program	107,956	-	-	-	107,956
Net pension liability	1,271,487	505,718	809,760	288,369	2,875,334
Total liabilities	9,551,568	1,932,712	10,432,203	3,492,456	25,408,939
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Differences between projected and actual earnings on pension plan investments	31,612	9,380	19,608	12,726	73,326
Differences between expected and actual experience - pension	29,388	10,873	18,603	7,900	66,764
Changes in assumptions - pension	253,613	94,676	160,932	68,340	577,561
Changes in assumptions - OPEB	1,425	567	1,015	445	3,452
Total deferred inflows of resources	316,038	115,496	200,158	89,411	721,103
<u>NET POSITION</u>					
Net investment in capital assets	13,421,391	3,340,374	6,868,969	4,851,464	28,482,198
Restricted for debt service	1,223,742	438,948	928,604	461,292	3,052,586
Unrestricted	762,237	6,394,703	3,107,382	1,628,927	11,893,249
Total net position	\$ 15,407,370	\$ 10,174,025	\$ 10,904,955	\$ 6,941,683	\$ 43,428,033

See independent auditor's report.

ETOWAH UTILITIES BOARD

Combining Statement of Revenues, Expenses and Change in Net Position

For the Fiscal Year Ended June 30, 2019

	Electric Department	Gas Department	Water Department	Sewer Department	Totals
Operating revenues:					
Residential sales	\$ 7,521,404	\$ 603,957	\$ 1,839,739	\$ 410,188	\$ 10,375,288
Commercial and industrial sales	13,380,118	5,694,998	1,805,388	1,056,457	21,936,961
Street and outdoor lighting	321,155	-	-	-	321,155
Interruptible sales	-	685,548	-	-	685,548
Other operating revenues	627,705	471,218	79,069	150,039	1,328,031
	<u>21,850,382</u>	<u>7,455,721</u>	<u>3,724,196</u>	<u>1,616,684</u>	<u>34,646,983</u>
Operating expenses:					
Purchased energy	16,996,999	5,143,709	-	-	22,140,708
Distribution and treatment	161,607	60,208	799,810	467,336	1,488,961
Customer account services	241,901	144,628	190,372	35,412	612,313
Administration and general	1,008,377	436,992	614,044	289,647	2,349,060
Maintenance	755,256	402,491	395,097	216,734	1,769,578
Depreciation	949,240	177,223	875,717	195,579	2,197,759
	<u>20,113,380</u>	<u>6,365,251</u>	<u>2,875,040</u>	<u>1,204,708</u>	<u>30,558,379</u>
Operating income	<u>1,737,002</u>	<u>1,090,470</u>	<u>849,156</u>	<u>411,976</u>	<u>4,088,604</u>
Non-operating revenues (expenses):					
Interest income	62,068	92,100	86,147	30,131	270,446
Interest expense	(105,846)	(57,753)	(367,844)	(54,085)	(585,528)
Amortization of debt expense	(4,131)	(2,043)	(5,508)	(99)	(11,781)
Gain on sale of assets	4,000	-	-	-	4,000
	<u>(43,909)</u>	<u>32,304</u>	<u>(287,205)</u>	<u>(24,053)</u>	<u>(322,863)</u>
Income before contributions and transfers	1,693,093	1,122,774	561,951	387,923	3,765,741
Capital contributions from governments and customers	-	-	7,015	11,563	18,578
Transfers to local government - in lieu of tax	(417,195)	(126,517)	-	-	(543,712)
Change in net position	1,275,898	996,257	568,966	399,486	3,240,607
Net position, beginning	14,131,472	9,177,768	10,335,989	6,542,197	40,187,426
Net position, ending	<u>\$ 15,407,370</u>	<u>\$ 10,174,025</u>	<u>\$ 10,904,955</u>	<u>\$ 6,941,683</u>	<u>\$ 43,428,033</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

	Electric Department	Gas Department	Water Department	Sewer Department	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 21,984,020	\$ 7,481,150	\$ 3,697,321	\$ 1,662,155	\$ 34,824,646
Cash payments to suppliers for goods and services	(17,372,105)	(5,852,207)	(1,231,782)	(788,217)	(25,244,311)
Cash payments to employees for services	(2,053,431)	(496,220)	(764,778)	(228,583)	(3,543,012)
Net cash provided by operating activities	2,558,484	1,132,723	1,700,761	645,355	6,037,323
Cash flows from noncapital and related financing activities:					
Cash payment for in lieu of taxes	(417,195)	(126,517)	-	-	(543,712)
Advances from (repayments to) other departments, net	(40,923)	17,981	12,941	10,001	-
Net cash provided (used) by noncapital and related financing activities	(458,118)	(108,536)	12,941	10,001	(543,712)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(909,336)	(67,189)	(440,253)	(82,051)	(1,498,829)
Proceeds from disposal of capital assets	4,000	-	-	-	4,000
Interest paid	(105,846)	(57,753)	(367,844)	(54,085)	(585,528)
Customer advances for construction	-	-	7,015	-	7,015
Proceeds from grants	-	-	-	11,563	11,563
Principal paid on long-term debt maturities, net of deferred debits	(325,000)	(100,000)	(244,279)	(119,052)	(788,331)
Net cash used by capital and related financing activities	(1,336,182)	(224,942)	(1,045,361)	(243,625)	(2,850,110)
Cash flows from investing activities:					
Earnings received on investments	62,068	92,100	86,147	30,131	270,446
Proceeds from decrease of other noncurrent assets	261	-	-	-	261
Advances from (repayments to) city, net	26,802	-	-	-	26,802
Net cash provided by investing activities	89,131	92,100	86,147	30,131	297,509
Net increase in cash and cash equivalents	853,315	891,345	754,488	441,862	2,941,010
Cash and cash equivalents, beginning of year	3,983,080	5,895,789	3,662,416	1,784,618	15,325,903
Cash and cash equivalents, end of year	\$ 4,836,395	\$ 6,787,134	\$ 4,416,904	\$ 2,226,480	\$ 18,266,913

(Continued)

ETOWAH UTILITIES BOARD

Combining Statement of Cash Flows
(Continued)

For the Fiscal Year Ended June 30, 2019

	Electric Department	Gas Department	Water Department	Sewer Department	Totals
<u>Reconciliation of operating income to net cash provided by operating activities:</u>					
Operating income	\$ 1,737,002	\$ 1,090,470	\$ 849,156	\$ 411,976	\$ 4,088,604
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	949,240	177,223	875,717	195,579	2,197,759
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	139,139	25,950	(25,515)	45,471	185,045
Other current assets	(1,856)	(521)	(1,360)	-	(3,737)
Materials and supplies inventories	(23,688)	(90,142)	4,885	194	(108,751)
Deferred outflows related to pension plan and OPEB	22,645	(9,305)	34,623	(13,448)	34,515
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable	(120,621)	(27,305)	(26,414)	(18,524)	(192,864)
Net pension liability	(135,090)	(53,321)	(83,162)	(22,749)	(294,322)
Deferred inflows related to pension plan and OPEB	99,309	35,264	62,822	31,073	228,468
Accrued expenses	(103,951)	(15,590)	10,009	15,783	(93,749)
Customer deposits	(3,645)	-	-	-	(3,645)
Net cash provided by operating activities	<u>\$ 2,558,484</u>	<u>\$ 1,132,723</u>	<u>\$ 1,700,761</u>	<u>\$ 645,355</u>	<u>\$ 6,037,323</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD
ELECTRIC DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets			Accumulated Depreciation					
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expense	Retirement Plus Cost of Removal Minus Salvage	Balance June 30, 2019	Net Plant
Utility plant:									
Distribution plant:									
Land and land rights	\$ 102,389	\$ -	\$ -	\$ 102,389	\$ -	\$ -	\$ -	\$ -	\$ 102,389
Structures and improvements	-	-	-	-	-	-	-	-	-
Station equipment	5,159,601	-	-	5,159,601	1,797,198	360,881	-	2,158,079	3,001,522
Poles, towers and fixtures	5,654,027	231,852	47,060	5,838,819	207,992	187,161	138,920	256,233	5,582,586
Overhead conductors and devices	4,206,794	84,432	9,946	4,281,280	233,995	105,848	25,674	314,169	3,967,111
Underground conduit	207,908	9,138	321	216,725	86,595	9,613	644	95,564	121,161
Underground conduit and devices	725,620	36,699	1,298	761,021	252,394	33,837	1,379	284,852	476,169
Line transformers	2,980,407	111,563	49,924	3,042,046	997,611	76,155	55,770	1,017,996	2,024,050
Services	1,270,418	59,540	4,359	1,325,599	439,157	55,106	19,165	475,098	850,501
Meters	445,417	6,833	-	452,250	173,939	11,249	-	185,188	267,062
Installation on customers' premises	777,490	51,826	23,365	805,951	665,233	58,321	31,075	692,479	113,472
Street lighting and signal system	280,958	312	-	281,270	279,748	376	-	280,124	1,146
Total distribution plant	21,811,029	592,195	136,273	22,266,951	5,133,862	898,547	272,627	5,759,782	16,507,169
General plant:									
Land and land rights	44,057	-	-	44,057	-	-	-	-	44,057
Structures and improvements	585,097	3,178	-	588,275	228,027	13,651	(269)	241,947	346,328
Equipment and office furniture	213,519	7,428	-	220,947	161,001	17,165	-	178,166	42,781
Transportation equipment	1,226,885	-	15,934	1,210,951	1,226,885	-	15,934	1,210,951	-
Stores equipment	10,737	1,524	-	12,261	10,680	873	-	11,553	708
Tools, shop and garage equipment	229,971	12,515	-	242,486	197,454	19,004	-	216,458	26,028
Laboratory equipment	3,855	-	-	3,855	3,855	-	-	3,855	-
Communications equipment	24,494	-	-	24,494	24,494	-	-	24,494	-
Total general plant	2,338,615	24,645	15,934	2,347,326	1,852,396	50,693	15,665	1,887,424	459,902
Total electric plant in service	24,149,644	616,840	152,207	24,614,277	6,986,258	949,240	288,292	7,647,206	16,967,071
Construction work in progress	92,907	156,413	-	249,320	-	-	-	-	249,320
Total utility plant	\$ 24,242,551	\$ 773,253	\$ 152,207	\$ 24,863,597	\$ 6,986,258	\$ 949,240	\$ 288,292	\$ 7,647,206	\$ 17,216,391

See independent auditor's report.

ETOWAH UTILITIES BOARD
GAS DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets				Accumulated Depreciation				
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expense	Retirements	Balance June 30, 2019	Net Plant
Utility plant:									
Distribution plant:									
Land and land rights	\$ 1,015	\$ -	\$ -	\$ 1,015	\$ -	\$ -	\$ -	\$ -	\$ 1,015
Mains	3,778,594	-	-	3,778,594	1,138,960	72,171	-	1,211,131	2,567,463
Station and equipment	700,791	-	-	700,791	341,011	17,940	-	358,951	341,840
Services	1,436,973	29,794	5,944	1,460,823	329,438	30,464	15,166	344,736	1,116,087
Meters and regulators	331,901	8,768	151	340,518	196,733	7,353	151	203,935	136,583
Total distribution plant	6,249,274	38,562	6,095	6,281,741	2,006,142	127,928	15,317	2,118,753	4,162,988
General plant:									
Land and land rights	6,262	-	-	6,262	-	-	-	-	6,262
Structures and improvements	282,073	1,258	-	283,331	64,572	6,770	-	71,342	211,989
Office equipment	251,013	1,641	-	252,654	239,095	12,894	-	251,989	665
Transportation equipment	235,588	-	3,660	231,928	229,358	6,231	3,660	231,929	(1)
Stores equipment	7,046	-	-	7,046	3,678	299	-	3,977	3,069
Tools, work equipment	337,337	23,611	-	360,948	331,615	29,333	-	360,948	-
Lab equipment	1,558	-	-	1,558	1,558	-	-	1,558	-
Total general plant	1,120,877	26,510	3,660	1,143,727	869,876	55,527	3,660	921,743	221,984
Total gas plant in service	7,370,151	65,072	9,755	7,425,468	2,876,018	183,455	18,977	3,040,496	4,384,972
Construction work in progress	21,275	(873)	-	20,402	-	-	-	-	20,402
Total utility plant	\$ 7,391,426	\$ 64,199	\$ 9,755	\$ 7,445,870	\$ 2,876,018	\$ 183,455	\$ 18,977	\$ 3,040,496	\$ 4,405,374

See independent auditor's report.

ETOWAH UTILITIES BOARD
WATER DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets				Accumulated Depreciation				
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expenses	Retirements	Balance June 30, 2019	Net Plant
Utility plant:									
Treatment and distribution plant:									
Land and land rights	\$ 92,020	\$ -	\$ -	\$ 92,020	\$ -	\$ -	\$ -	\$ -	\$ 92,020
Purification and pumping	4,655,780	7,120	-	4,662,900	2,574,859	116,409	-	2,691,268	1,971,632
Booster stations	636,632	-	-	636,632	413,073	25,465	-	438,538	198,094
Water storage	1,089,613	-	-	1,089,613	289,428	27,240	-	316,668	772,945
Mains	18,496,244	103,365	-	18,599,609	9,094,911	556,896	-	9,651,807	8,947,802
Services	3,145,168	202,611	-	3,347,779	1,005,130	96,943	-	1,102,073	2,245,706
Meters and hydrants	646,208	33,421	7,531	672,098	503,910	20,219	7,531	516,598	155,500
Total treatment and distribution plant	28,761,665	346,517	7,531	29,100,651	13,881,311	843,172	7,531	14,716,952	14,383,699
General plant:									
Land and land rights	10,682	-	-	10,682	-	-	-	-	10,682
Structures and improvements	253,448	2,751	-	256,199	71,183	6,336	-	77,519	178,680
Furniture and equipment	127,579	2,257	-	129,836	80,236	10,228	-	90,464	39,372
Transportation equipment	220,522	-	3,678	216,844	220,521	1	3,679	216,843	1
Tools, shop and garage equipment	220,269	49,033	-	269,302	216,250	15,980	-	232,230	37,072
Total general plant	832,500	54,041	3,678	882,863	588,190	32,545	3,679	617,056	265,807
Total water plant in service	29,594,165	400,558	11,209	29,983,514	14,469,501	875,717	11,210	15,334,008	14,649,506
Construction work in progress	83,093	39,695	-	122,788	-	-	-	-	122,788
Total utility plant	\$ 29,677,258	\$ 440,253	\$ 11,209	\$ 30,106,302	\$ 14,469,501	\$ 875,717	\$ 11,210	\$ 15,334,008	\$ 14,772,294

See independent auditor's report.

ETOWAH UTILITIES BOARD
SEWER DEPARTMENT

Schedule of Utility Plant

June 30, 2019

	Assets				Accumulated Depreciation				Net Plant
	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Balance July 1, 2018	Expense	Retirements	Balance June 30, 2019	
Utility plant:									
Treatment, collection and pumping plant:									
Land and land rights	\$ 78,158	\$ -	\$ -	\$ 78,158	\$ -	\$ -	\$ -	\$ -	\$ 78,158
Mains	5,962,672	4,769	-	5,967,441	969,996	75,408	-	1,045,404	4,922,037
Services	692,491	2,368	-	694,859	143,638	9,229	-	152,867	541,992
Lift station	269,938	10,796	-	280,734	153,059	9,169	-	162,228	118,506
Pump station	1,392,625	16,586	-	1,409,211	263,643	46,512	-	310,155	1,099,056
Structures and improvements	2,165,974	-	-	2,165,974	1,101,855	39,854	-	1,141,709	1,024,265
Laboratory	21,691	-	-	21,691	21,691	-	-	21,691	-
Total treatment and distribution plant	10,583,549	34,519	-	10,618,068	2,653,882	180,172	-	2,834,054	7,784,014
General plant:									
Building	1,365	943	-	2,308	-	-	-	-	2,308
Office furniture and equipment	27,421	1,775	-	29,196	12,590	2,199	-	14,789	14,407
Transportation equipment	166,452	-	3,679	162,773	166,452	2	3,680	162,774	(1)
Tools, shop and garage equipment	142,060	9,795	-	151,855	132,831	13,206	-	146,037	5,818
Total general plant	337,298	12,513	3,679	346,132	311,873	15,407	3,680	323,600	22,532
Total sewer plant in service	10,920,847	47,032	3,679	10,964,200	2,965,755	195,579	3,680	3,157,654	7,806,546
Construction work in progress	15,955	55,116	-	71,071	-	-	-	-	71,071
Total utility plant	\$ 10,936,802	\$ 102,148	\$ 3,679	\$ 11,035,271	\$ 2,965,755	\$ 195,579	\$ 3,680	\$ 3,157,654	\$ 7,877,617

See independent auditor's report.

ETOWAH UTILITIES BOARD
ELECTRIC DEPARTMENT

Schedule of Long-Term Principal and Interest Requirements

June 30, 2019

	Local Government Public Improvement Bonds Series 2013A 2.00% to 3.00%		Local Government Public Improvement Bonds Series 2013B 1.40% to 3.00%		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 160,000	\$ 84,575	\$ 160,000	\$ 15,081	\$ 320,000	\$ 99,656
2021	175,000	81,375	165,000	11,881	340,000	93,256
2022	175,000	77,876	165,000	8,169	340,000	86,045
2023	200,000	73,937	170,000	4,250	370,000	78,187
2024	200,000	69,437			200,000	69,437
2025	225,000	64,437			225,000	64,437
2026	225,000	58,813			225,000	58,813
2027	250,000	52,625			250,000	52,625
2028	250,000	45,750			250,000	45,750
2029	250,000	38,250			250,000	38,250
2030	250,000	30,750			250,000	30,750
2031	250,000	23,250			250,000	23,250
2032	250,000	15,750			250,000	15,750
2033	275,000	8,250			275,000	8,250
	<u>\$ 3,135,000</u>	<u>\$ 725,075</u>	<u>\$ 660,000</u>	<u>\$ 39,381</u>	<u>\$ 3,795,000</u>	<u>\$ 764,456</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD
GAS DEPARTMENT

Schedule of Long-Term Principal and Interest Requirements

June 30, 2019

Local Government Public*
Improvement Bonds
Series VII - G - 1

	Variable Rate		Totals	
	Principal	Interest	Principal	Interest
2020	\$ 100,000	\$ 53,250	\$ 100,000	\$ 53,250
2021	100,000	48,250	100,000	48,250
2022	100,000	43,250	100,000	43,250
2023	100,000	38,250	100,000	38,250
2024	100,000	33,250	100,000	33,250
2025	125,000	28,250	125,000	28,250
2026	130,000	22,000	130,000	22,000
2027	155,000	15,500	155,000	15,500
2028	155,000	7,750	155,000	7,750
	<u>\$ 1,065,000</u>	<u>\$ 289,750</u>	<u>\$ 1,065,000</u>	<u>\$ 289,750</u>

*Amortization is shown using the current interest rate at June 30, 2018 of 5.00%.

See independent auditor's report.

ETOWAH UTILITIES BOARD
WATER DEPARTMENT

Schedule of Long-Term Principal and Interest Requirements

June 30, 2019

	Rural Development Loan 3.375%		Local Government Public* Improvement Bonds Series VII - G - 1 Variable Rate		Note Payable Town of Englewood 4.75%		Local Government Public Improvement Bonds Series 2013A 2.00%		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 19,702	\$ 35,101	\$ -	\$ 311,750	\$ 5,409	\$ 7,666	\$ 230,000	\$ 9,100	\$ 255,111	\$ 363,617
2021	20,378	34,425	-	311,750	5,672	7,404	225,000	4,500	251,050	358,079
2022	21,076	33,727	250,000	311,750	5,947	7,128			277,023	352,605
2023	21,798	33,004	275,000	299,250	6,236	6,840			303,034	339,094
2024	22,546	32,257	300,000	285,500	6,538	6,536			329,084	324,293
2025	23,318	31,483	300,000	270,500	6,856	6,220			330,174	308,203
2026	24,118	30,685	325,000	255,500	7,188	5,887			356,306	292,072
2027	24,944	29,859	350,000	239,250	7,538	5,538			382,482	274,647
2028	25,799	29,004	350,000	221,750	7,903	5,172			383,702	255,926
2029	26,684	28,119	375,000	204,250	8,287	4,788			409,971	237,157
2030	27,598	27,205	450,000	185,500	8,689	4,386			486,287	217,091
2031	28,544	26,259	475,000	163,000	9,111	3,963			512,655	193,222
2032	29,523	25,280	505,000	139,250	9,554	3,522			544,077	168,052
2033	30,535	24,268	535,000	114,000	10,017	3,058			575,552	141,326
2034	31,581	23,222	560,000	87,250	10,504	2,572			602,085	113,044
2035	32,665	22,139	565,000	59,250	11,014	2,062			608,679	83,451
2036	33,783	21,019	620,000	31,000	11,548	1,527			665,331	53,546
2037	34,941	19,861			12,109	966			47,050	20,827
2038	36,139	18,664			12,579	378			48,718	19,042
2039	37,378	17,425			(81)	-			37,297	17,425
2040	38,660	16,144							38,660	16,144
2041	39,984	14,819							39,984	14,819
2042	41,356	13,448							41,356	13,448
2043	42,772	12,031							42,772	12,031
2044	44,238	10,564							44,238	10,564
2045	45,755	9,048							45,755	9,048
2046	47,323	7,480							47,323	7,480
2047	48,945	5,858							48,945	5,858
2048	50,623	4,180							50,623	4,180
2049	52,358	2,445							52,358	2,445
2050	45,642	669							45,642	669
	<u>\$ 1,050,706</u>	<u>\$ 639,692</u>	<u>\$ 6,235,000</u>	<u>\$ 3,490,500</u>	<u>\$ 162,618</u>	<u>\$ 85,613</u>	<u>\$ 455,000</u>	<u>\$ 13,600</u>	<u>\$ 7,903,324</u>	<u>\$ 4,229,405</u>

* Maximum interest rate of 4.90%. Amortization is shown using the current interest rate at June 30, 2018.

See independent auditor's report.

ETOWAH UTILITIES BOARD
SEWER DEPARTMENT

Schedule of Long-Term Principal and Interest Requirements

June 30, 2019

	Rural Development Loan 3.375%		State of Tennessee Revolving Fund Loan SRF 15-347 0.680%		State of Tennessee Revolving Fund Loan SRF CW3 14-340 0.680%		State of Tennessee Revolving Fund Loan SRF CWO 12-296 0.56%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 22,360	\$ 39,837	\$ 14,364	\$ 2,076	\$ 45,084	\$ 6,408	\$ 38,508	\$ 3,780	\$ 120,316	\$ 52,101
2021	23,127	39,070	14,460	1,968	45,384	6,072	38,724	3,564	121,695	50,674
2022	23,920	38,277	14,568	1,848	45,696	5,724	38,940	3,348	123,124	49,197
2023	24,740	37,458	14,664	1,740	46,008	5,376	39,156	3,132	124,568	47,706
2024	25,588	36,610	14,760	1,632	46,320	5,028	39,384	2,904	126,052	46,174
2025	26,465	35,732	14,868	1,512	46,644	4,668	39,600	2,688	127,577	44,600
2026	27,372	34,825	14,968	1,404	46,956	4,320	39,828	2,460	129,124	43,009
2027	28,310	33,887	15,072	1,284	47,280	3,960	40,056	2,232	130,718	41,363
2028	29,280	32,917	15,168	1,176	47,604	3,600	40,272	2,016	132,324	39,709
2029	30,284	31,913	15,276	1,056	47,928	3,228	40,500	1,788	133,988	37,985
2030	31,322	30,875	15,384	936	48,252	2,868	40,728	1,560	135,686	36,239
2031	32,396	29,801	15,480	828	48,588	2,496	40,956	1,332	137,420	34,457
2032	33,506	28,691	15,588	708	48,912	2,136	41,184	1,104	139,190	32,639
2033	34,655	27,543	15,696	588	49,248	1,752	41,424	864	141,023	30,747
2034	35,842	26,355	15,804	468	49,584	1,380	41,652	636	142,882	28,839
2035	37,071	25,126	15,912	348	49,920	1,008	41,880	408	144,783	26,890
2036	38,342	23,855	16,020	228	50,256	624	42,120	168	146,738	24,875
2037	39,657	22,541	16,128	108	50,616	228	7,078	3	113,479	22,880
2038	41,015	21,182	5,302	7	4,135	2			50,452	21,191
2039	42,421	19,776							42,421	19,776
2040	43,875	18,322							43,875	18,322
2041	45,379	16,818							45,379	16,818
2042	46,934	15,263							46,934	15,263
2043	48,543	13,654							48,543	13,654
2044	49,860	11,990							49,860	11,990
2045	50,207	10,269							50,207	10,269
2046	51,928	8,489							51,928	8,489
2047	53,708	6,648							53,708	6,648
2048	55,549	4,744							55,549	4,744
2049	57,453	2,775							57,453	2,775
2050	59,158	759							59,158	759
	<u>\$ 1,190,267</u>	<u>\$ 726,002</u>	<u>\$ 279,482</u>	<u>\$19,915</u>	<u>\$ 864,415</u>	<u>\$ 60,878</u>	<u>\$ 691,990</u>	<u>\$ 33,987</u>	<u>\$ 3,026,154</u>	<u>\$ 840,782</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD

Schedule of Changes in Long-Term Debt by Individual Issue

June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
Business-Type Activities									
Bond Payable:									
Local Government Public Improvement Bonds Series 2013A	\$ 5,905,000	2.00%	* 04/12/2013	06/01/2033	\$ 3,980,000	\$ -	\$ 390,000	\$ -	\$ 3,590,000
Local Government Public Improvement Bonds Series 2013B	\$ 1,825,000	1.40%	** 04/12/2013	06/01/2023	815,000	-	155,000	-	660,000
Local Government Public Improvement Bonds Series VII-G-1	\$ 7,600,000	5.00%	12/16/2010	06/01/2036	<u>7,400,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>7,300,000</u>
Total Bonds Payable					<u>\$ 12,195,000</u>	<u>\$ -</u>	<u>\$ 645,000</u>	<u>\$ -</u>	<u>\$ 11,550,000</u>
Notes Payable:									
Rural Development Loan Loan	\$ 2,500,000	3.38%	05/23/2012	06/01/2050	\$ 2,281,637	\$ -	\$ 40,664	\$ -	\$ 2,240,973
Rural Development Loan Town of Englewood	\$ 573,000	4.75%	02/02/2001	02/02/2039	167,857	-	5,239	-	162,618
State Revolving Fund Loan - SRF 15-347	\$ 302,000	0.68%	03/20/2018	10/20/2037	293,762	-	14,280	-	279,482
State Revolving Fund Loan - SRF CW3 14-340	\$ 1,000,000	0.68%	08/20/2017	07/20/2039	909,223	-	44,808	-	864,415
State Revolving Fund Loan - SRF CWO 12-296	\$ 800,000	0.56%	09/20/2016	07/20/2036	<u>730,330</u>	<u>-</u>	<u>38,340</u>	<u>-</u>	<u>691,990</u>
Total Notes Payable					<u>\$ 4,382,809</u>	<u>\$ -</u>	<u>\$ 143,331</u>	<u>\$ -</u>	<u>\$ 4,239,478</u>

* Variable interest rate. Assumed an interest rate of 3.00% for future interest payments, even though the current rate at June 30, 2019 is 2.00%.

** Variable interest rate. Assumed an interest rate of 1.40% for future interest payments, even though the current rate at June 30, 2019 is 3.00%.

See independent auditor's report.

ETOWAH UTILITIES BOARD
ELECTRIC DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

RESIDENTIAL RATE - SCHEDULE RS

Customer Charge..... \$20.17 per month
Energy Charge 0.11170 cents per kWh per month

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer Charge..... \$32.66 per delivery point per month
Energy Charge 0.12585 cents per kWh per month

PART 2.

Customer Charge..... \$150.83 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 \$17.73 per kW
Energy Charge First 15,000 kWh per month at 0.13047 cents per kWh
Additional kWh per month at 0.007076 cents per kWh

PART 3.

Customer Charge..... \$292.68 per delivery point per month
Demand Charge First 1,000 kW of billing demand per month at \$16.87 per kW
Excess over 1,000 kW of billing demand per month at \$16.24 per kW, plus an
additional 0.07768 cents 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

GENERAL POWER RATE - SCHEDULE TOU GSB

Customer Charge..... \$1,500.00 per delivery point per month
Admin Charge \$350.00 per month
Demand Charge \$10.87 per kW of on-peak billing demand per month, plus \$5.21 per kW of off-peak
billing demand, plus an additional \$10.87 per kW per month for each kW, if any, of
the amount by which the customer's billing demand exceeds its contract demand
Energy Charge 0.05676 cents per off-peak kWh for up to 425 hours use of metered demand (HUD) per
month, plus 0.02218 cents per off-peak kWh for next 200 HUD, plus 0.01877 cents
per off-peak kWh over 620 HUD

(Continued)

ETOWAH UTILITIES BOARD
ELECTRIC DEPARTMENT

Utility Rate Structure and Number of Customers
(Continued)

June 30, 2019

OUTDOOR LIGHTING RATE - SCHEDULE LS

Customer Charge.....\$3.00

Energy Charge.....0.07482 cents per kWh

Facility Charge.....LP (13)% $\frac{B}{A \text{ or } B}$

Customer Data

	<u>Number of Customers</u>
Residential	4,331
General power - 50 kW and under	679
General power - over 50 kW	39
Street and athletic lighting	56
Large commercial and industrial	<u>2</u>
	<u>5,107</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD
GAS DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

Gas Rates in Effect at June 30, 2019*

	<u>Per 100 Cubic Feet</u>
General service rate - residential:	
Customer Charge	\$ 6.00
Per 100 cubic feet (ccf)	.660
Commercial - industrial:	
Customer Charge	\$ 12.00
Per 100 cubic feet (ccf)	.610
Large volume - industrial:	
Customer Charge	\$102.00
First 150,000 cubic feet	.560
All over 150,000 cubic feet	.510
Interruptible:	
Customer Charge	\$102.00
Per MCF	3.2374

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

Customer Data

	<u>Number of Customers</u>
Residential	1,975
Small commercial	228
Large commercial	5
Interruptible	<u>3</u>
	<u>2,211</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD
WATER DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

Water Rates in Effect at June 30, 2019

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
<u>Residential</u>		
Service availability charge	\$ 9.96	\$ 9.96
First 1,000 gallons	7.09	10.64
Next 1,000 gallons	7.09	10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30
<u>Commercial</u>		
Service availability charge	\$16.85	\$16.85
First 1,000 gallons	7.09	10.64
Next 1,000 gallons	7.09	10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30
<u>Municipal</u>		
Service availability charge	\$14.46	
First 1,000 gallons	7.93	
Next 1,000 gallons	7.93	
Next 8,000 gallons	6.34	
Next 40,000 gallons	8.57	
Next 50,000 gallons	7.21	
All over 100,000 gallons	3.31	
<u>Residential - Sprinklers</u>		
First 2,000 gallons	\$ 7.09	\$10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30

(Continued)

ETOWAH UTILITIES BOARD
WATER DEPARTMENT

Utility Rate Structure and Number of Customers
(Continued)

June 30, 2019

Water Rates in Effect at June 30, 2019 (Continued)

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
<u>Commercial - Sprinklers</u>		
First 2,000 gallons	\$ 7.09	\$10.64
Next 8,000 gallons	5.70	8.54
Next 40,000 gallons	7.78	11.67
Next 50,000 gallons	6.49	9.74
All over 100,000 gallons	3.30	3.30

Customer Data

	<u>Number of Customers</u>
Residential	4,595
Large and commercial	329
Industrial	<u>9</u>
	<u>4,933</u>

See independent auditor's report.

ETOWAH UTILITIES BOARD
SEWER DEPARTMENT

Utility Rate Structure and Number of Customers

June 30, 2019

Sewer Rates in Effect at June 30, 2019

	<u>Per Thousand Gallons</u>	
	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>
First 2,000 gallons - minimum bill	\$15.59	\$22.37
Excess of 2,000 gallons	6.87	10.29
All over 1,000,000 gallons	6.41	9.60

Customer Data

	<u>Number of</u>
	<u>Customers</u>
Residential	1,543
Commercial and Industrial	<u>203</u>
	<u>1,746</u>

See independent auditor's report.

STATISTICAL SCHEDULES
(Unaudited)

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association



? Click to access definition
+ Click to add a comment

Water Audit Report for: **Etowah Utilities (TN0000233)**Reporting Year: **2018/19** **7/2018 - 6/2019**

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

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

To select the correct data grading for each input, determine the highest grade where the

WATER SUPPLIED

Volume from own sources: + ? 9 1,134.634 MG/Yr
Water imported: + ? n/a MG/Yr
Water exported: + ? 9 66.886 MG/Yr

WATER SUPPLIED: 1,057.176 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
+ ? 8 1.00% 1.00% MG/Yr
+ ? 4 1.00% 1.00% MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: + ? 8 748.453 MG/Yr
Billed unmetered: + ? 10 0.061 MG/Yr
Unbilled metered: + ? 10 0.833 MG/Yr
Unbilled unmetered: + ? 13.215 MG/Yr

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

AUTHORIZED CONSUMPTION: 762.562 MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: Value: MG/Yr
1.25% 1.25% MG/Yr

Use buttons to select
percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: + ? 2.643 MG/Yr

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

Customer metering inaccuracies: + ? 9 15.292 MG/Yr
Systematic data handling errors: + ? 1.871 MG/Yr

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

Apparent Losses: 19.806 MG/Yr

Pcnt: Value: MG/Yr
0.25% 0.25% MG/Yr

2.00% 2.00% MG/Yr
0.25% 0.25% MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 274.809 MG/Yr

WATER LOSSES: 294.615 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 308.662 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 6 160.0 miles
Number of active AND inactive service connections: + ? 7 5,076
Service connection density: ? 32 conn./mile main

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

Average length of customer service line: + ?

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

Average operating pressure: + ? 7 60.0 psi

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

COST DATA

Total annual cost of operating water system: + ? 10 \$2,616,953 \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? 9 \$8.87 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? 8 \$433.57 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 86 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: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association

Water Audit Report for: **Etowah Utilities (TN0000233)**Reporting Year: **2018/19** | **7/2018 - 6/2019******* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 *****

System Attributes:

Apparent Losses:	19.806	MG/Yr
+ Real Losses:	274.809	MG/Yr
= Water Losses:	294.615	MG/Yr

? Unavoidable Annual Real Losses (UARL): 35.63 MG/Yr

Annual cost of Apparent Losses: \$175,676

Annual cost of Real Losses: \$119,149

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: 29.2%

Non-revenue water as percent by cost of operating system: 11.5% Real Losses valued at Variable Production Cost

Operational Efficiency:



Apparent Losses per service connection per day: 10.69 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day*: 4,705.63 gallons/mile/day

Real Losses per service connection per day per psi pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 274.81 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 7.71

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Board of Utilities Board Members
Etowah Utilities Board
Etowah, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Etowah Utilities Board (the Utility), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink, appearing to read "Brown & McDaniel, PC", written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
November 22, 2019

ETOWAH UTILITIES BOARD
Summary Schedule of Prior Audit Findings

There were no prior year audit findings.

