

**CITY OF SEVIERVILLE, TENNESSEE**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2021**

Prepared by:  
Finance Department

# CITY OF SEVIERVILLE, TENNESSEE

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## Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021

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## **INTRODUCTORY SECTION**



December 22, 2021

To the Honorable Mayor, Aldermen and  
Citizens of the City of Sevierville, Tennessee:

Tennessee state law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This annual comprehensive financial report is published to fulfill that requirement for the fiscal year ended June 30, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brown Jake and McDaniel, PC has issued unmodified opinions on these financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Profile of the government***

The City of Sevierville, Tennessee (government), founded in 1795 and incorporated in 1901, is located in the eastern part of the state, an area known as a tourist destination because of the government's proximity to the Great Smoky Mountains National Park. It currently occupies 24.3 square miles and serves a residential population of over 17,500. The government is empowered to assess and levy a tax on all property within the government not exempt by general law upon the same principles established in regard to state and county taxation. Assessments made by the Sevier County, Tennessee Tax Assessor are adopted by the government. It also is empowered by state statute to extend its corporate limits by annexation under certain criteria, which it has done from time to time.

The government is a municipal corporation governed by a Home Rule Charter form of government. Policy-making and legislative authority are vested in the Board of Mayor and Aldermen (Board) consisting of the mayor and five other members, all of whom are elected at large. Board members serve staggered four-year terms, with members elected every two years. The mayor is elected for a two-year term. The Board appoints the government's City Administrator and City Recorder.

The government provides a full range of services, including police and fire protection, highways and streets, traffic control, building inspection, sanitation and solid waste, recreational activities, a convention center, utility services and general administrative services. This report includes business-type activities of the government regarding providing electric, water and sewer services to the government and the surrounding area or in the case of electric services the entire area of Sevier County, Tennessee. The government also is financially accountable for a legally separate

Public Building Authority (PBA), which is blended within the government's financial statements. The PBA is the government's only component unit and is governed by an appointed board.

The Board is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the government's financial planning and control. The budget is prepared by fund and department (e.g., police). Department heads may transfer resources within a department with City Administrator approval. Transfers between departments require approval from the Board by ordinance.

### ***Local economy***

The government is considered part of a micropolitan area. Sevierville is ideally located at the base of the Great Smoky Mountains National Park, America's most visited national park, and adjacent to internationally known cities Gatlinburg and Pigeon Forge. Some of the top vacation activities nationwide, including Dollywood, are located either within a few minutes from downtown Sevierville or within our corporate limits. This combination helps the government draw millions of visitors each year, and we project that tourism growth will continue. The Sevier County school district also has a significant economic presence, employing in total more than 2,500 professional, paraprofessional and auxiliary staff members. The Sevier County School System serves over 14,500 students in pre-kindergarten through twelfth grade with thirty-one schools in the system.

During the previous ten years, the Sevier County unemployment rate fell from an average annual rate of 10.6 percent (2010) to an average annual rate of 9.7 percent (2020). Sevier County's unemployment rate as of June 2021 was 4.3 percent compared to 5.9 percent nationally and 4.9 percent for the state of Tennessee. The unemployment rate during the current year reflects a post COVID-19 pandemic recovery from 2020 figures.

According to the latest census of year 2010, Sevier County's median family income was \$43,605; mean family income was \$57,641; average family size was 2.93; and median population age was 40.9. The median price of a single-family home in the vicinity of the government was \$183,000 with an average household size of 2.52 persons.

Due to its strong reserves and healthy local economy, the government has maintained a credit rating of Aa3 from Moody's Investor Service.

Steady growth and development have positively impacted revenue. Growing hand in hand with Sevierville's tourism economy, new service facilities such as LeConte Medical Center and the Sevier County Campus of East Tennessee State University have enhanced the government's ability to meet the needs of its residential population. The groundbreaking of new developments and over ten years of events with tremendous economic impact at the Sevierville Convention Center have given visitors new reasons to come to Sevierville. While Sevierville continues to expand its tourist appeal through new attractions and destinations, the government's leadership, both state and local, continues to focus heavily on infrastructure improvements. Improvements to the I-40 exit 407 interchange and Highway 66, which serves as the main access route for our area, have significantly eased congestion. A new main fire station opened in 2019 and a new downtown fire substation will open in 2022. Construction will soon begin on a wastewater treatment plant expansion and was recently completed for downtown streetscape improvements.

### ***Long-term financial planning and major initiatives***

Unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) in the general fund at year end was 79 percent of fiscal year 2021 general fund budgeted expenditures. This amount significantly exceeds the policy guidelines set by the Board for budgetary and planning purposes (25 percent of general fund budgeted expenditures). The general fund balance increased by \$10,192,402 during the year ended June 30, 2021, largely due to conservative budgeting and a post-pandemic tourism surge and its effect on sales and hospitality tax revenue. In the event that the balance drops below the established minimum level, the Board will develop a plan to replenish the fund balance to the minimum level within two years. Although the minimum is 25 percent, the government has far exceeded this percentage to fund construction of a fire substation and to maintain its ability to react to potential economic fluctuations. The

government has implemented a plan to set aside 1.5 percent of annual budgeted revenue to strengthen reserves.

By policy, the government maintains a five-year Capital Improvement Program which serves as its planning document to ensure that facilities, equipment and infrastructure are well maintained. Under the guidance of the Board, this process gives the government the ability to plan for its capital needs and allocate short- and long-term resources appropriately. As part of its process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the Fleet department monitors the condition of all government vehicles and makes recommendations on their replacement. The fiscal year 2022 Capital Improvement Program anticipates \$31,001,431 in general government expenditures, \$515,000 in the Solid Waste fund and \$8,590,000 in the water and sewer fund. Included in these appropriations are \$5,500,000 for land for future public safety and public works facilities, and \$6,773,423 for traffic and road improvements. The \$50,000,000 sewer treatment plant expansion is currently in the engineering phase with construction commencing in early 2022.

#### ***Relevant financial policies***

The government has adopted a comprehensive set of financial policies, including a policy that requires the adoption of a balanced annual operating budget (estimated revenues and available resources equal to or in excess of appropriations). The government has a fund balance policy to ensure its ability to meet its obligations through all economic conditions.

#### ***Acknowledgements***

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration departments. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and Aldermen for their unfailing support for maintaining the highest standards of professionalism in the management of the government's finances.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Sevierville for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

City of Sevierville, Tennessee



Lynn K. McClurg  
City Recorder/Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Sevierville  
Tennessee**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

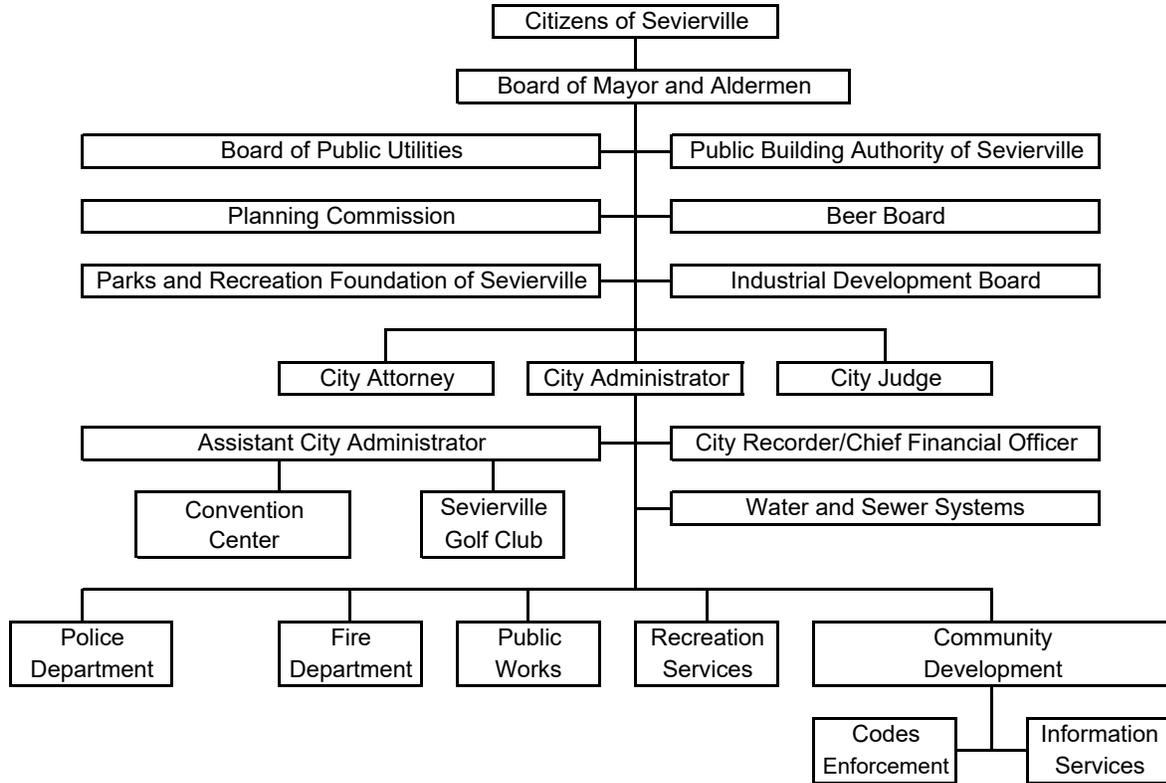
June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

**CITY OF SEVIERVILLE, TENNESSEE**

**Organizational Chart and List of Elected and Appointed Officials  
For the Fiscal Year Ended June 30, 2021**



**Board of Mayor and Aldermen (Elected)**

- |            |                |          |                    |
|------------|----------------|----------|--------------------|
| Mayor      | - Robert Fox   | Alderman | - Travis McCroskey |
| Vice-Mayor | - Mitch Rader  | Alderman | - Joey Ohman       |
| Alderman   | - Wayne Helton | Alderman | - Devin Koester    |

**City Officials (Appointed)**

- |                                       |   |
|---------------------------------------|---|
| City Administrator                    | Russell Treadway                                  |
| Assistant City Administrator          | Tracy Baker                                       |
| City Recorder/Chief Financial Officer | Lynn McClurg (financial oversight responsibility) |
| City Judge                            | Lanning Wynn                                      |
| City Attorney                         | Edward Owens                                      |
| Development Director                  | Dustin Smith                                      |
| Director of Information Systems       | Dustin Smith                                      |
| Police Chief                          | Joseph Manning                                    |
| Fire Chief                            | Matt Henderson                                    |
| Public Works Director                 | Bryon Fortner                                     |
| Parks and Recreation Director         | Bob Parker  |
| Water and Sewer Systems Director      | Keith Malone                                      |
| Electric System General Manager       | Allen Robbins                                     |

## **FINANCIAL SECTION**

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Independent Auditor's Report

Mayor and Board of Alderman  
City of Sevierville, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sevierville, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Sevierville, Tennessee's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of 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 misstatement, 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 of the City of Sevierville, Tennessee as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows 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 9 through 15 and the required supplementary information on pages 83 through 92 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 Sevierville, Tennessee's basic financial statements. The introductory section, other supplementary information in the financial section, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information in the financial section, including the schedule 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 in the financial section and schedule of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the City of Sevierville, 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 our testing of internal control over financing reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Sevierville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sevierville, Tennessee's internal control over financial reporting and compliance.

Brown Jake & McDaniel, PC

Knoxville, Tennessee  
December 22, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sevierville, Tennessee (the government), we offer readers of the government's financial statements this narrative overview and analysis of the financial activities of the government for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 3 of this report.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$309,269,501 (*net position*). Of this amount, \$75,807,395 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased \$38,475,385 from ongoing operations.
- At the close of the current fiscal year, the government's governmental funds reported combined fund balances of \$54,160,171, an increase of \$9,597,674 in comparison with the prior year. Approximately 43% of this amount (\$23,548,954) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the nonspendable, assigned, and unassigned components of fund balance) for the general fund was \$30,237,078, or approximately 79% of total fiscal year 2021 budgeted general fund expenditures.
- The government's total general obligation bonded debt decreased by \$10,395,000 during the current fiscal year.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the government's basic financial statements. The government's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the government that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, public safety, public works, recreation, community development, and debt administration. The business-type activities of the government include a water and sewer system and an electric system.

**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 government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the government can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The government maintains five individual governmental funds and one blended component unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the central business improvement district fund, which are considered to be major funds. Data from the other three governmental funds and blended component unit are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining fund financial statements section of this report.

The government adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the government's major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 - 22 and the budgetary comparison statements can be found on pages 23 - 29 of this report.

**Proprietary Funds.** The government maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The government uses enterprises funds to account for its water and sewer system and its electric system. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the government's various functions. The government uses internal service funds to account for the management of its retained risks. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department Fund and for the Electric Department Fund, both of which are considered to be major funds of the government. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining fund financial statements section of this report.

The basic proprietary fund financial statements can be found on pages 30 - 33 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the government's own programs.

The accounting used for fiduciary funds is much like that used for proprietary funds. The government maintains two fiduciary funds which are combined into a single, aggregated presentation in the fiduciary fund financial statements. Individual fund data for the fiduciary funds is provided in the form of combining statements in the combining fund financial statements section of this report.

The basic fiduciary fund financial statements can be found on pages 34 – 35 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire 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 36 - 82 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the government's net pension and OPEB assets and liabilities. Required supplementary information can be found on pages 83 - 92 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, along with additional other supplementary information, are presented immediately following the required supplementary information. This information can be found on pages 93 - 124 of this report.

### Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$309,269,501, at the close of the most recent fiscal year.

<b>City of Sevierville's Net Position</b>						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 82,301,849	\$ 71,162,597	\$ 81,799,104	\$ 73,543,276	\$ 164,100,953	\$ 144,705,873
Capital assets	187,589,220	183,959,600	220,535,135	217,822,322	408,124,355	401,781,922
<b>Total assets</b>	<b>269,891,069</b>	<b>255,122,197</b>	<b>302,334,239</b>	<b>291,365,598</b>	<b>572,225,308</b>	<b>546,487,795</b>
Total deferred outflows of resources	2,056,930	3,291,818	14,452,304	16,207,909	16,509,234	19,499,727
Long-term liabilities	156,189,814	171,459,471	61,018,306	63,917,607	217,208,120	235,377,078
Other liabilities	14,194,968	12,641,479	41,069,424	38,313,390	55,264,392	50,954,869
<b>Total liabilities</b>	<b>170,384,782</b>	<b>184,100,950</b>	<b>102,087,730</b>	<b>102,230,997</b>	<b>272,472,512</b>	<b>286,331,947</b>
Total deferred inflows of resources	5,470,887	6,360,229	1,521,642	2,501,230	6,992,529	8,861,459
Net investment in capital assets	34,314,692	22,324,288	186,713,852	181,641,448	221,028,544	203,965,736
Restricted	9,649,828	21,400,396	2,783,734	2,748,133	12,433,562	24,148,529
Unrestricted	52,127,810	24,228,152	23,679,585	18,451,699	75,807,395	42,679,851
<b>Total net position</b>	<b>\$ 96,092,330</b>	<b>\$ 67,952,836</b>	<b>\$ 213,177,171</b>	<b>\$ 202,841,280</b>	<b>\$ 309,269,501</b>	<b>\$ 270,794,116</b>

By far, the largest portion of the government's net position (71.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related net carrying value of outstanding debt that was used to acquire those assets. The government uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the government's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the government's net position (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$75,807,395 (24.5%) is unrestricted.

The government's overall net position increased \$38,475,385 from the prior fiscal year. The reasons for this current year increase in net position are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$28,139,494 from the prior fiscal year for an ending net position balance of \$96,092,330. Sales taxes revenues, increased by \$7,927,315 (30.0%) from prior year. Similarly, other taxes increased \$3,236,546 or 22.0 percent and charges for services increased \$910,460 or 13.5 percent. The City realized a gain on investment derivatives (interest rate swaps) of \$4,291,852 and received capital grants and contributions of \$1,849,696. Operating expenses continued to decrease in response to the Covid-19 pandemic.

#### City of Sevierville's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,667,402	\$ 6,756,942	\$ 177,504,127	\$ 167,571,799	\$ 185,171,529	\$ 174,328,741
Operating grants and contributions	787,931	379,882	-	-	787,931	379,882
Capital grants and contributions	1,849,696	2,381,034	-	52,445	1,849,696	2,433,479
General revenues:						
Sales taxes	34,418,027	26,490,712	-	-	34,418,027	26,490,712
Other taxes	17,929,513	14,692,967	-	-	17,929,513	14,692,967
Other revenues	691,684	983,379	1,397,818	855,137	2,089,502	1,838,516
Gain on investment derivatives	4,291,852	-	-	-	4,291,852	-
Gain on disposal of capital assets	234,206	22,158	-	(565)	234,206	21,593
<b>Total revenues</b>	<b>67,870,311</b>	<b>51,707,074</b>	<b>178,901,945</b>	<b>168,478,816</b>	<b>246,772,256</b>	<b>220,185,890</b>
<b>Expenses:</b>						
General government	11,758,124	11,501,076	-	-	11,758,124	11,501,076
Public safety	11,702,425	11,668,656	-	-	11,702,425	11,668,656
Public works	6,911,413	6,506,852	-	-	6,911,413	6,506,852
Recreation	5,722,965	6,183,914	-	-	5,722,965	6,183,914
Community development	216,119	216,119	-	-	216,119	216,119
Interest on long-term debt	5,255,922	6,570,438	-	-	5,255,922	6,570,438
Debt administration - other	279,755	502,423	-	-	279,755	502,423
Water and Sewer Department	-	-	14,286,480	13,273,408	14,286,480	13,273,408
Electric Department	-	-	152,163,668	148,330,953	152,163,668	148,330,953
Loss on investment derivatives	-	3,530,332	-	-	-	3,530,332
<b>Total expenses</b>	<b>41,846,723</b>	<b>46,679,810</b>	<b>166,450,148</b>	<b>161,604,361</b>	<b>208,296,871</b>	<b>208,284,171</b>
Excess of revenues over expenses	26,023,588	5,027,264	12,451,797	6,874,455	38,475,385	11,901,719
Transfers - in lieu of tax payment	2,115,906	2,119,958	(2,115,906)	(2,119,958)	-	-
<b>Total other items</b>	<b>2,115,906</b>	<b>2,119,958</b>	<b>(2,115,906)</b>	<b>(2,119,958)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>28,139,494</b>	<b>7,147,222</b>	<b>10,335,891</b>	<b>4,754,497</b>	<b>38,475,385</b>	<b>11,901,719</b>
Net position - beginning	67,952,836	60,805,614	202,841,280	198,086,783	270,794,116	258,892,397
<b>Net position - ending</b>	<b>\$ 96,092,330</b>	<b>\$ 67,952,836</b>	<b>\$ 213,177,171</b>	<b>\$ 202,841,280</b>	<b>\$ 309,269,501</b>	<b>\$ 270,794,116</b>

**Business-Type Activities.** For the government's business-type activities, the results for the current fiscal year were positive in that change in net position increased by \$10,335,891 from ongoing operations for an overall net position of \$213,177,171. The total net position for business-type activities increased 5.1% from the prior fiscal year. Prior year water and sewer rate increases further strengthened reserves in preparation for a \$50 million wastewater treatment plant expansion as the System's net position increased nearly \$5.5 million. Electric System operating income at fiscal year-end was \$7.6 million in fiscal year 2021 vs. \$2.3 million in fiscal year 2020.

## Financial Analysis of Governmental Funds

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

**Governmental Funds.** The focus of the government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the government itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the government's Board of Mayor and Aldermen.

At June 30, 2021, the government's governmental funds reported combined fund balances of \$54,160,171, an increase of \$9,597,674 in comparison with the prior year. Approximately 43.5% of this amount (\$23,548,954) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is 1) nonspendable inventory and prepaids - \$1,252,686, 2) restricted for particular purposes - \$5,754,540, or 3) assigned for particular purposes - \$23,603,991.

The general fund is the chief operating fund of the government. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23,548,954, while total fund balance increased to \$30,237,078. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 61.5% of total fiscal year 2021 budgeted general fund expenditures, while total fund balance represents approximately 79.0% of that same amount.

The fund balance of the government's general fund increased by \$10,192,402 during the current fiscal year. The increase is largely due to a conservative expense budget and increases in sales and amusement tax revenue as the area began to reopen following prior year closures related to the Covid-19 pandemic.

The Central Business Improvement District Fund, a major fund, had a \$295,838 decrease in fund balance during the current fiscal year which put the overall fund balance at \$15,823,264. The fund reports restricted fund balance of \$5,006,810, the entirety of which is restricted for debt service of long-term debt issued (and being repaid) by the Fund. The fund reports assigned fund balance of \$10,816,454 which represents budgeted operational transfers from the general fund for the current fiscal year and the prior two fiscal years.

**Proprietary Funds.** The government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer department fund at the end of the year was \$22,233,320 and for the electric department fund was \$1,446,265. The water and sewer department fund had an increase in net position of \$5,469,829 and the electric department fund had an increase in net position of \$4,866,062. The increase from operations for the water and sewer department fund results from a prior year rate increase pending a wastewater treatment plant expansion anticipated in fiscal year 2023. The increase in electric department net position is attributable primarily to an increase in electric sales due to recovery from Covid-19 interruptions and increases in the number of customers.

## General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year there was a need for budget amendments to fund a mid-year cost of living payroll increase, an additional school resource police officer, and a health fund employee dividend payment, all of which totaled \$787,661.

## Capital Assets and Debt Administration

**Capital assets.** The government's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$408,124,355 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, water and wastewater treatment plants and electric distribution system. The total increase in capital assets for the current fiscal year was approximately 1.6%.

City of Sevierville's Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 55,374,018	\$ 55,374,018	\$ 7,989,001	\$ 7,985,001	\$ 63,363,019	\$ 63,359,019
Construction work in progress	13,676,202	9,178,612	4,585,401	5,093,164	18,261,603	14,271,776
Buildings	105,559,778	104,977,337	-	-	105,559,778	104,977,337
Infrastructure	55,030,626	54,122,298	-	-	55,030,626	54,122,298
Machinery, equipment, and vehicles	21,135,790	19,997,666	24,117,166	23,618,506	45,252,956	43,616,172
Water and sewer utility plant	-	-	115,366,026	111,395,195	115,366,026	111,395,195
Electric utility plant	-	-	238,249,835	230,081,294	238,249,835	230,081,294
Plant acquisition adjustments, net of amortization	-	-	-	-	-	-
Total capital assets	250,776,414	243,649,931	390,307,429	378,173,160	641,083,843	621,823,091
Less: accumulated depreciation	63,187,194	59,690,331	169,772,294	160,350,838	232,959,488	220,041,169
Net capital assets	<u>\$ 187,589,220</u>	<u>\$ 183,959,600</u>	<u>\$ 220,535,135</u>	<u>\$ 217,822,322</u>	<u>\$ 408,124,355</u>	<u>\$ 401,781,922</u>

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

- Various projects related to the electric department at a cost of \$10,055,999 for the electric distribution system.
- The completion of various projects related to the water and sewer system at a cost of \$5,555,370, excluding CWIP.
- Completed buildings and improvements in governmental funds at a cost of \$582,441.
- Completed traffic signals at a cost of \$908,328.
- The purchase of various machinery and equipment in governmental funds at a cost of \$415,303.
- The purchase of various transportation equipment and vehicles in governmental funds at a cost of \$1,099,646.

Additional information on the government's capital assets can be found in Note 3 on pages 48 - 49 of this report.

**Long-term debt.** At the end of the current fiscal year, the government had a total bonded debt outstanding of \$183,795,000. All of this amount is debt backed by the full faith and credit of the government.

The government's total bonded debt decreased by \$10,395,000 (5.4 %) during the current year.

The government's "A+" rating from Standard & Poor's and Fitch Ratings and "Aa3" from Moody's Investors Service for general obligation debt remained unchanged.

Additional information on the government's long-term debt can be found in Note 4 on pages 50 - 51 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect the government and were considered in developing the 2021-2022 fiscal year budget.

- Tourism and subsequently sales and hospitality tax revenue surged back following the Spring 2020 Covid-19 related shutdowns, allowing for a return to normal levels of projected revenue growth.
- The five-year capital improvement plan includes \$2.4 million for ADA-related projects and \$5.2 million in traffic control projects.
- The government decreased the property tax rate for tax year 2021 from \$0.497 to the certified tax rate of \$0.4254 per \$100 of assessed value following the reappraisal cycle. The net effect is to keep property tax revenue relatively constant with some growth due to property additions.
- The government continues to supplement CBID fund revenue at a rate of \$4.1 million per annum, increasing the unrestricted reserve for future debt service. The source of the revenue is a 2019 lodging tax increase from 2% to 3%.
- The water and sewer department is expected to complete plans and bid construction of a \$50 million wastewater treatment expansion in late 2022.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the government's finances and to show the government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lynn K. McClurg, City Recorder/Chief Financial Officer, at City of Sevierville, P.O. Box 5500, Sevierville, TN 37864.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Net Position  
June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 25,523,160	\$ 39,866,241	\$ 65,389,401
Investments	12,117,880	13,054,692	25,172,572
Receivables:			
Property taxes, net of allowance of \$73,391	30,472	-	30,472
Customers, net of allowance of \$41,155 and \$1,164,826, respectively	215,256	7,829,323	8,044,579
Other, including current maturities of notes receivable from customers of \$444,444	2,209,618	1,735,870	3,945,488
Unbilled revenue	4,308,914	8,674,862	12,983,776
Due from other governments	5,551,144	-	5,551,144
Materials and supplies inventory	162,686	3,360,653	3,523,339
Prepayments	1,090,000	-	1,090,000
Restricted assets:			
Cash and cash equivalents	2,647,388	53,982	2,701,370
Investments	14,072,964	2,500,000	16,572,964
Due from other governments	10,772,918	-	10,772,918
Total current assets	<u>78,702,400</u>	<u>77,075,623</u>	<u>155,778,023</u>
Non-current assets:			
Capital assets, not being depreciated:			
Land and improvements	55,374,018	7,989,001	63,363,019
Construction work in progress	13,676,202	4,585,401	18,261,603
Capital assets, being depreciated:			
Buildings and improvements	105,559,778	-	105,559,778
Infrastructure	55,030,626	-	55,030,626
Machinery and equipment	21,135,790	24,117,166	45,252,956
Utility plant	-	353,615,861	353,615,861
Less accumulated depreciation	<u>(63,187,194)</u>	<u>(169,772,294)</u>	<u>(232,959,488)</u>
Total capital assets	187,589,220	220,535,135	408,124,355
Other non-current assets:			
Notes receivable from customers, less current maturities	-	1,935,186	1,935,186
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	1,909,502	1,909,502
Other investments	-	423,594	423,594
Regulatory assets, unamortized	-	172,214	172,214
Other assets	-	53,233	53,233
Net pension asset	<u>3,599,449</u>	<u>229,752</u>	<u>3,829,201</u>
Total non-current assets	<u>191,188,669</u>	<u>225,258,616</u>	<u>416,447,285</u>
Total assets	<u>269,891,069</u>	<u>302,334,239</u>	<u>572,225,308</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated changes in fair value of hedging derivatives	1,110,749	3,034,372	4,145,121
Pension related	946,181	9,013,108	9,959,289
OPEB related	-	2,404,824	2,404,824
Total deferred outflows of resources	<u>2,056,930</u>	<u>14,452,304</u>	<u>16,509,234</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**

**Statement of Net Position (Continued)**  
**June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current liabilities:			
Payable from current assets:			
Accounts payable	\$ 2,015,097	\$ 12,616,512	\$ 14,631,609
Accrued liabilities	1,402,519	1,649,548	3,052,067
Accrued interest payable	-	90,023	90,023
Due to other governments	138,434	-	138,434
Refundable advance	394,814	-	394,814
Reserve for health insurance claims	182,993	1,982,043	2,165,036
Other	-	353,750	353,750
Customer deposits, including interest of \$397,053	208,669	20,306,367	20,515,036
Non-current liabilities - due within one year	9,812,000	4,071,181	13,883,181
Funds held in trust	40,442	-	40,442
Total current liabilities	<u>14,194,968</u>	<u>41,069,424</u>	<u>55,264,392</u>
Non-current liabilities:			
Due in more than one year	144,360,360	37,049,712	181,410,072
Derivative instruments - interest rate swaps	11,654,799	3,034,372	14,689,171
Net OPEB liability	-	2,478,340	2,478,340
Total OPEB liability	-	994,100	994,100
Net pension liability	174,655	15,545,664	15,720,319
Advances from Tennessee Valley Authority Residential Energy Services Program	-	1,916,118	1,916,118
Total non-current liabilities	<u>156,189,814</u>	<u>61,018,306</u>	<u>217,208,120</u>
Total liabilities	<u>170,384,782</u>	<u>102,087,730</u>	<u>272,472,512</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	4,308,914	-	4,308,914
Pension related	986,759	743,077	1,729,836
OPEB related	-	778,565	778,565
Deferred charge on refunding	175,214	-	175,214
Total deferred inflows of resources	<u>5,470,887</u>	<u>1,521,642</u>	<u>6,992,529</u>
<u>NET POSITION</u>			
Net investment in capital assets	34,314,692	186,713,852	221,028,544
Restricted:			
Debt service	5,302,649	2,553,982	7,856,631
State street aid	525,757	-	525,757
Drug enforcement	221,973	-	221,973
Pensions	3,599,449	229,752	3,829,201
Unrestricted	<u>52,127,810</u>	<u>23,679,585</u>	<u>75,807,395</u>
Total net position	<u>\$ 96,092,330</u>	<u>\$ 213,177,171</u>	<u>\$ 309,269,501</u>

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

**CITY OF SEVIERVILLE, TENNESSEE**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 11,758,124	\$ 1,157,300	\$ 33,599	\$ -	\$ (10,567,225)	\$ -	\$ (10,567,225)
Public safety	11,702,425	351,309	519,523	-	(10,831,593)	-	(10,831,593)
Public works	6,911,413	2,725,427	-	1,849,696	(2,336,290)	-	(2,336,290)
Recreation	5,722,965	3,433,366	234,809	-	(2,054,790)	-	(2,054,790)
Community development	216,119	-	-	-	(216,119)	-	(216,119)
Interest	5,255,922	-	-	-	(5,255,922)	-	(5,255,922)
Debt administration - other	279,755	-	-	-	(279,755)	-	(279,755)
Total governmental activities	<u>41,846,723</u>	<u>7,667,402</u>	<u>787,931</u>	<u>1,849,696</u>	<u>(31,541,694)</u>	<u>-</u>	<u>(31,541,694)</u>
<b>Business-type activities:</b>							
Water and Sewer Department	14,286,480	18,671,897	-	-	-	4,385,417	4,385,417
Electric Department	152,163,668	158,832,230	-	-	-	6,668,562	6,668,562
Total business-type activities	<u>166,450,148</u>	<u>177,504,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,053,979</u>	<u>11,053,979</u>
Total government	<u>\$ 208,296,871</u>	<u>\$ 185,171,529</u>	<u>\$ 787,931</u>	<u>\$ 1,849,696</u>	<u>(31,541,694)</u>	<u>11,053,979</u>	<u>(20,487,715)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales taxes					34,418,027	-	34,418,027
Privilege taxes					9,158,581	-	9,158,581
Property taxes					4,241,433	-	4,241,433
Wholesale beer taxes					1,855,997	-	1,855,997
Business taxes					1,674,382	-	1,674,382
Other taxes					999,120	-	999,120
Interest earned					360,510	384,408	744,918
Miscellaneous					331,174	1,013,410	1,344,584
Gain (loss) on investment derivatives					4,291,852	-	4,291,852
Gain (loss) on sale of capital assets					234,206	-	234,206
Transfers					2,115,906	(2,115,906)	-
Total general revenues and transfers					<u>59,681,188</u>	<u>(718,088)</u>	<u>58,963,100</u>
Change in net position					28,139,494	10,335,891	38,475,385
Net position, beginning					<u>67,952,836</u>	<u>202,841,280</u>	<u>270,794,116</u>
Net position - ending					<u>\$ 96,092,330</u>	<u>\$ 213,177,171</u>	<u>\$ 309,269,501</u>

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

**CITY OF SEVIERVILLE, TENNESSEE**

**Balance Sheet  
Governmental Funds  
June 30, 2021**

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 13,591,303	\$ -	\$ 7,477,229	\$ 21,068,532
Investments	12,117,880	-	-	12,117,880
Receivables:				
Property taxes (less allowance for doubtful accounts of \$73,391)	30,472	-	-	30,472
Customers (less allowance for doubtful accounts of \$41,155)	215,256	-	-	215,256
Other	1,859,513	-	203,844	2,063,357
Unbilled property taxes	4,308,914	-	-	4,308,914
Due from other governments	5,036,795	-	514,349	5,551,144
Materials and supplies inventory	162,686	-	-	162,686
Prepayments	431,551	-	658,449	1,090,000
Restricted assets:				
Cash and cash equivalents	41	1,750,301	897,046	2,647,388
Investments	-	14,072,963	-	14,072,963
Due from other governments	-	10,674,244	98,674	10,772,918
<b>Total assets</b>	<b>\$ 37,754,411</b>	<b>\$ 26,497,508</b>	<b>\$ 9,849,591</b>	<b>\$ 74,101,510</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 973,664	\$ -	\$ 1,040,272	\$ 2,013,936
Accrued liabilities	812,528	-	-	812,528
Due to the chamber of commerce	582,087	-	-	582,087
Due to other governments	146,338	-	-	146,338
Refundable advance	-	-	394,814	394,814
Funds held in trust	-	-	40,442	40,442
Customer deposits	208,669	-	-	208,669
<b>Total liabilities</b>	<b>2,723,286</b>	<b>-</b>	<b>1,475,528</b>	<b>4,198,814</b>
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,308,914	-	-	4,308,914
Unavailable revenue - other	108,860	-	-	108,860
Unavailable revenue - sales taxes	-	10,674,244	-	10,674,244
Unavailable revenue - grant revenue	376,273	-	274,234	650,507
<b>Total deferred inflows of resources</b>	<b>4,794,047</b>	<b>10,674,244</b>	<b>274,234</b>	<b>15,742,525</b>
Fund balances:				
Nonspendable:				
Inventories and prepayments	594,237	-	658,449	1,252,686
Restricted:				
Debt service	-	5,006,810	-	5,006,810
State street aid fund	-	-	525,757	525,757
Drug enforcement fund	-	-	221,973	221,973
Assigned:				
Central Business Improvement District Fund	-	10,816,454	-	10,816,454
Solid waste department	278,324	-	-	278,324
Golf Course	1,029,666	-	-	1,029,666
Convention center department	682,066	-	-	682,066
Capital outlay	4,103,831	-	6,693,650	10,797,481
Unassigned	23,548,954	-	-	23,548,954
<b>Total fund balances</b>	<b>30,237,078</b>	<b>15,823,264</b>	<b>8,099,829</b>	<b>54,160,171</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 37,754,411</b>	<b>\$ 26,497,508</b>	<b>\$ 9,849,591</b>	<b>\$ 74,101,510</b>

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

## CITY OF SEVIERVILLE, TENNESSEE

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2021

<b>Total fund balances - governmental funds</b>	\$	54,160,171	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Capital assets	\$	250,776,414	
Accumulated depreciation		<u>(63,187,194)</u>	187,589,220
The net pension asset is not an available resource and, therefore, is not reported in the funds.			
			3,599,449
Internal service funds are reported as proprietary funds, however, the activities accounted for in them are governmental in nature. Therefore, the assets and liabilities of these funds are included as governmental activities in the statement of net position:			
Total assets		4,605,005	
Total liabilities		<u>(188,269)</u>	4,416,736
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.			
			(174,655)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Bonds payable		(153,199,314)	
Compensated absences		(973,046)	
Derivative instruments - interest rate swaps		<u>(11,654,799)</u>	(165,827,159)
Certain deferred outflows of resources and deferred inflows of resources are not available resources and, therefore, are not reported in the funds:			
Deferred outflows of resources:			
Accumulated changes in fair value of hedging derivatives		1,110,749	
Pension related		946,181	
Deferred inflows of resources:			
Unavailable revenue - sales tax		10,674,244	
Unavailable revenue - grants		650,507	
Unavailable revenue - other		108,860	
Pension related		(986,759)	
Deferred charge on refunding		<u>(175,214)</u>	<u>12,328,568</u>
<b>Total net position--governmental activities</b>	<b>\$</b>		<b><u>96,092,330</u></b>

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

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2021**

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local taxes	\$ 39,383,523	\$ 2,210,516	\$ -	\$ 41,594,039
Licenses and permits	303,375	-	-	303,375
Intergovernmental revenue	2,990,583	5,351,744	2,783,360	11,125,687
Charges for services	6,331,068	-	-	6,331,068
Fines, forfeits and penalties	238,538	-	92,740	331,278
Other revenues	262,765	139,991	527,207	929,963
<b>Total revenues</b>	<b>49,509,852</b>	<b>7,702,251</b>	<b>3,403,307</b>	<b>60,615,410</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	10,600,417	-	58,355	10,658,772
Public safety	10,895,400	-	293,557	11,188,957
Public works	5,012,377	-	1,152,648	6,165,025
Recreation	5,090,351	-	39,261	5,129,612
<b>Debt service:</b>				
Principal	1,975,000	6,075,000	-	8,050,000
Interest	884,904	4,773,309	-	5,658,213
Debt service charges	29,975	249,780	-	279,755
<b>Capital outlay:</b>				
General government	71,518	-	251,737	323,255
Public safety	786,729	-	3,489,985	4,276,714
Public works	328,953	-	2,293,479	2,622,432
Recreation	103,034	-	177,873	280,907
<b>Total expenditures</b>	<b>35,778,658</b>	<b>11,098,089</b>	<b>7,756,895</b>	<b>54,633,642</b>
<b>Excess (deficiencies) of revenues over (under) expenditures</b>	<b>13,731,194</b>	<b>(3,395,838)</b>	<b>(4,353,588)</b>	<b>5,981,768</b>
<b>Other financing sources (uses):</b>				
Transfers in	2,615,906	3,100,000	4,054,698	9,770,604
Transfers out	(6,154,698)	-	-	(6,154,698)
<b>Total other financing sources (uses)</b>	<b>(3,538,792)</b>	<b>3,100,000</b>	<b>4,054,698</b>	<b>3,615,906</b>
<b>Net change in fund balances</b>	<b>10,192,402</b>	<b>(295,838)</b>	<b>(298,890)</b>	<b>9,597,674</b>
Fund balances, beginning	20,044,676	16,119,102	8,398,719	44,562,497
Fund balances, ending	\$ 30,237,078	\$ 15,823,264	\$ 8,099,829	\$ 54,160,171

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

## CITY OF SEVIERVILLE, TENNESSEE

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2021

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>9,597,674</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays:</p>		
Depreciation expense	\$ (3,872,688)	
Capital outlays	<u>7,503,308</u>	3,630,620
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		2,964,049
Proceeds from the sale of capital assets is revenue in the governmental funds, but the net book value of the asset sold is removed from capital assets in the statement of net position and offset against the proceeds resulting in a gain (loss) on disposal of capital assets in the statement of activities.		(1,000)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Principal paid on general obligation bonds	8,050,000	
Premium amortized	<u>402,291</u>	8,452,291
The increase in the fair value of an interest rate swap accounted for as an investment derivative instrument in the statement of activities is not reported in governmental funds, but is reported as a gain on investment loss derivatives in the statement of activities.		4,291,852
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Compensated absences	(83,335)	
Pension expense	<u>237,392</u>	154,057
Internal service funds are used by management to charge the costs of insurance and other activities to individual funds. The net internal service fund revenue is reported with governmental activities.		<u>(950,049)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>28,139,494</u></b>

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

## CITY OF SEVIERVILLE, TENNESSEE

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### General Fund

The **General Fund** is used to account for all of the general revenues of the government not specifically levied or collected for other government funds, and for the expenditures related to the rendering of general services by the government. The General Fund is used to account for all resources not required to be accounted for in another fund.

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**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2021  
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021		Actual	2020
	Budgeted Amounts			
	Original	Final		
Revenues:				
Local taxes:				
Property tax	\$ 4,252,796	\$ 4,252,796	\$ 4,213,164	\$ 4,133,101
Interest and penalties on property tax	15,000	15,000	23,898	18,213
In lieu of tax - property tax	3,785	3,785	4,371	3,675
Local sales tax	16,117,348	16,247,721	22,161,027	17,568,791
Wholesale liquor tax	262,549	262,549	279,843	215,621
Wholesale beer tax	1,428,604	1,428,604	1,576,154	1,364,018
Business tax	1,444,608	1,444,608	1,674,382	1,416,696
Amusement privilege tax	270,326	270,326	531,033	275,304
Restaurant privilege tax	3,637,493	3,637,493	4,725,648	3,854,153
Natural gas franchise tax	239,000	239,000	156,991	232,131
Cable television franchise tax	136,370	136,370	135,112	135,847
Lodging privilege tax	2,392,275	2,392,275	3,861,509	2,388,785
Liquor privilege tax	30,754	30,754	29,159	26,481
Beer privilege tax	11,362	11,362	11,232	10,835
Total local taxes	<u>30,242,270</u>	<u>30,372,643</u>	<u>39,383,523</u>	<u>31,643,651</u>
Licenses and permits:				
Building permits	175,000	175,000	244,225	417,492
Other licenses and permits	<u>50,720</u>	<u>50,720</u>	<u>59,150</u>	<u>67,130</u>
Total licenses and permits	<u>225,720</u>	<u>225,720</u>	<u>303,375</u>	<u>484,622</u>
Intergovernmental revenue:				
Federal grants	140,000	140,000	282,897	26,815
In lieu of tax - Sevierville Housing Authority	25,000	25,000	32,479	59,549
State grants	7,000	7,000	6,487	7,472
State of Tennessee:				
Public safety salary supplement	93,600	93,600	76,800	72,000
Sales tax	1,184,560	1,184,560	1,570,970	1,348,993
Hall income tax	12,500	12,500	74,643	29,746
Beer tax	7,500	7,500	7,010	6,936
Mixed drink tax	280,317	280,317	305,754	227,388
State sports betting	-	-	5,471	-
City streets and transportation tax	29,614	29,614	29,396	29,396
Street maintenance contract	189,000	189,000	165,947	124,918
Telecommunications sales tax	11,000	11,000	11,786	10,667
TVA gross receipts tax	182,118	182,118	169,253	182,118
State excise tax	50,000	50,000	83,010	82,973
Unemployment	-	-	9,930	-
Sevier County, Tennessee:				
Fire department	53,750	53,750	53,750	53,750
School resource officers salary supplement	<u>90,000</u>	<u>105,000</u>	<u>105,000</u>	<u>90,000</u>
Total intergovernmental revenue	<u>2,355,959</u>	<u>2,370,959</u>	<u>2,990,583</u>	<u>2,352,721</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 General Fund (Continued)  
 For the Fiscal Year Ended June 30, 2021  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021			2020
	Budgeted Amounts		Actual	
	Original	Final		
Revenues (continued):				
Charges for services:				
Police security	\$ 44,600	\$ 44,600	\$ 5,210	\$ 19,030
Solid waste fees	1,920,000	1,920,000	2,021,143	1,909,911
Convention center fees	1,285,500	1,285,500	819,295	963,628
Golf course fees	1,936,454	1,941,522	3,032,935	1,795,127
Community center fees	451,000	451,000	245,983	265,973
City park fees	234,000	234,000	104,520	103,043
Civic center rental fees	65,000	65,000	38,063	42,451
Other charges for services	94,111	94,111	63,919	78,691
Total charges for services	<u>6,030,665</u>	<u>6,035,733</u>	<u>6,331,068</u>	<u>5,177,854</u>
Fines, forfeits and penalties:				
City court fines and costs	110,000	110,000	96,590	105,688
Diversion filing	110,000	110,000	91,741	77,100
County court fines and costs	50,000	50,000	46,520	47,405
Offenders registration	1,000	1,000	1,203	900
Forfeits and seizures	3,000	3,000	2,484	4,517
Total fines, forfeits and penalties	<u>274,000</u>	<u>274,000</u>	<u>238,538</u>	<u>235,610</u>
Other revenues:				
Interest earnings	250,000	250,000	137,647	283,625
Rents and leases	70,941	70,941	70,941	70,941
Other miscellaneous revenue	82,643	82,643	54,177	204,744
Total other revenues	<u>403,584</u>	<u>403,584</u>	<u>262,765</u>	<u>559,310</u>
Total revenues	<u>39,532,198</u>	<u>39,682,639</u>	<u>49,509,852</u>	<u>40,453,768</u>
Expenditures:				
General government:				
Legislative board:				
Personal services	124,298	124,298	124,136	159,784
Contractual services	26,710	26,710	18,874	17,170
Supplies	1,750	1,750	2,939	1,075
Total legislative board	<u>152,758</u>	<u>152,758</u>	<u>145,949</u>	<u>178,029</u>
Legal services:				
Contractual services	251,000	251,000	184,287	190,562
Total legal services	<u>251,000</u>	<u>251,000</u>	<u>184,287</u>	<u>190,562</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 General Fund (Continued)  
 For the Fiscal Year Ended June 30, 2021  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021		Actual	2020
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
General government (continued):				
City administration:				
Personal services	\$ 658,173	\$ 663,802	\$ 683,752	\$ 585,529
Contractual services	31,070	31,070	12,319	20,223
Supplies	4,925	4,925	3,126	3,994
Fixed charges	-	-	645	456
Capital outlay	-	-	-	3,063
Less expense reimbursements from proprietary fund	<u>(301,627)</u>	<u>(301,627)</u>	<u>(302,368)</u>	<u>(297,525)</u>
Total city administration	<u>392,541</u>	<u>398,170</u>	<u>397,474</u>	<u>315,740</u>
City recorder/finance department:				
Personal services	1,067,079	1,075,515	1,030,015	1,048,663
Contractual services	253,390	253,390	204,296	208,317
Supplies	27,450	27,450	13,662	12,353
Fixed charges	47,787	47,787	81,512	81,886
Less expense reimbursements from proprietary fund	<u>(301,627)</u>	<u>(301,627)</u>	<u>(298,368)</u>	<u>(297,525)</u>
Total city recorder/finance department	<u>1,094,079</u>	<u>1,102,515</u>	<u>1,031,117</u>	<u>1,053,694</u>
Information services:				
Personal services	325,161	327,841	326,762	318,574
Contractual services	451,615	453,590	394,614	333,191
Supplies	12,500	12,500	6,587	12,111
Capital outlay	92,000	92,000	76,101	71,346
Less expense reimbursements from proprietary fund	<u>(301,626)</u>	<u>(301,626)</u>	<u>(300,369)</u>	<u>(297,525)</u>
Total information services	<u>579,650</u>	<u>584,305</u>	<u>503,695</u>	<u>437,697</u>
Planning and development:				
Personal services	670,671	676,106	695,634	650,986
Contractual services	119,182	119,182	43,041	43,536
Supplies	12,095	12,095	5,787	3,894
Fixed charges	<u>2,500</u>	<u>2,500</u>	<u>6,157</u>	<u>3,365</u>
Total planning and development	<u>804,448</u>	<u>809,883</u>	<u>750,619</u>	<u>701,781</u>
Facilities management:				
Personal services	394,872	397,581	406,127	493,244
Contractual services	26,704	26,704	19,494	21,806
Supplies	19,550	19,550	17,890	21,581
Fixed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
Total facilities management	<u>441,126</u>	<u>443,835</u>	<u>443,511</u>	<u>536,658</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 General Fund (Continued)  
 For the Fiscal Year Ended June 30, 2021  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021		Actual	2020
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
General government (continued):				
Marketing:				
Personal services	\$ 83,161	\$ 83,818	\$ 29,664	\$ 88,091
Contractual services	4,184,433	4,184,433	4,235,322	4,282,510
Supplies	725	725	-	284
Fixed charges	-	-	20	-
Total marketing	<u>4,268,319</u>	<u>4,268,976</u>	<u>4,265,006</u>	<u>4,370,885</u>
Sevierville Convention Center:				
Personal services	919,393	925,087	867,245	831,322
Contractual services	705,092	705,092	449,572	540,146
Supplies	44,492	44,492	32,344	38,128
Fixed charges	83,506	83,506	78,378	76,011
Total Sevierville Convention Center	<u>1,752,483</u>	<u>1,758,177</u>	<u>1,427,539</u>	<u>1,485,607</u>
Contracts, grants and other special funding:				
Contractual services	150,000	150,000	528,065	104,800
Grants, contributions and other	708,500	708,500	195,380	162,480
Total contracts, grants and other special funding	<u>858,500</u>	<u>858,500</u>	<u>723,445</u>	<u>267,280</u>
Other general government:				
Personal services	9,000	9,000	92	23,404
Contractual services	441,944	441,944	271,992	418,212
Supplies	4,515	4,515	718	2,441
Fixed charges	604,213	604,213	526,491	495,681
Capital outlay	132,000	132,000	-	33,865
Total other general government	<u>1,191,672</u>	<u>1,191,672</u>	<u>799,293</u>	<u>973,603</u>
Total general government	<u>11,786,576</u>	<u>11,819,791</u>	<u>10,671,935</u>	<u>10,511,536</u>
Public safety:				
Police:				
Personal services	5,372,479	5,503,179	5,622,591	5,507,703
Contractual services	212,010	212,010	137,429	175,462
Supplies	245,713	248,863	216,392	223,700
Fixed charges	1,100	1,100	3,251	1,465
Grants, contributions and other	41,420	41,420	35,935	34,405
Capital outlay	692,010	747,244	738,102	474,160
Total police	<u>6,564,732</u>	<u>6,753,816</u>	<u>6,753,700</u>	<u>6,416,895</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 General Fund (Continued)  
 For the Fiscal Year Ended June 30, 2021  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021		Actual	2020
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Public safety (continued):				
Traffic control and maintenance:				
Personal services	\$ 229,164	\$ 231,039	\$ 237,221	\$ 233,019
Contractual services	91,606	91,606	65,698	101,272
Supplies	124,900	124,900	125,913	124,841
Capital outlay	-	-	-	689
Total traffic control and maintenance	<u>445,670</u>	<u>447,545</u>	<u>428,832</u>	<u>459,821</u>
Fire:				
Personal services	3,527,885	3,526,597	3,225,076	3,230,432
Contractual services	988,434	988,434	905,075	895,052
Supplies	348,317	348,317	229,054	194,338
Capital outlay	<u>487,619</u>	<u>487,619</u>	<u>140,392</u>	<u>22,347</u>
Total fire	<u>5,352,255</u>	<u>5,350,967</u>	<u>4,499,597</u>	<u>4,342,169</u>
Total public safety	<u>12,362,657</u>	<u>12,552,328</u>	<u>11,682,129</u>	<u>11,218,885</u>
Public works:				
Street:				
Personal services	1,479,257	1,490,335	1,512,566	1,426,997
Contractual services	359,535	359,535	326,239	387,899
Supplies	101,000	101,000	143,973	129,541
Building materials	565,400	565,400	521,459	487,447
Fixed charges	-	-	8	-
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>26,669</u>
Total street	<u>2,515,192</u>	<u>2,526,270</u>	<u>2,504,245</u>	<u>2,458,553</u>
Fleet maintenance:				
Personal services	496,829	500,473	517,197	512,345
Contractual services	99,521	99,521	84,723	84,087
Supplies	281,200	281,200	276,741	246,563
Fixed charges	-	-	14	34
Total fleet maintenance	<u>877,550</u>	<u>881,194</u>	<u>878,675</u>	<u>843,029</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 General Fund (Continued)  
 For the Fiscal Year Ended June 30, 2021  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021		Actual	2020
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Public works (continued):				
Solid waste:				
Personal services	\$ 698,334	\$ 703,105	\$ 712,347	\$ 658,456
Contractual services	771,095	771,095	707,502	704,481
Supplies	215,425	215,425	210,202	278,960
Bad debt expense	-	-	13,753	11,726
Capital outlay	375,000	375,000	314,606	210,468
Total solid waste	<u>2,059,854</u>	<u>2,064,625</u>	<u>1,958,410</u>	<u>1,864,091</u>
Total public works	<u>5,452,596</u>	<u>5,472,089</u>	<u>5,341,330</u>	<u>5,165,673</u>
Recreation:				
Parks and recreation:				
Personal services	1,114,674	1,123,209	1,156,760	1,054,638
Contractual services	203,662	203,662	205,209	220,550
Supplies	218,450	219,950	187,281	144,203
Materials	8,800	8,800	4,930	5,318
Fixed charges	-	-	-	16
Capital outlay	7,500	7,500	8,484	32,441
Total parks and recreation	<u>1,553,086</u>	<u>1,563,121</u>	<u>1,562,664</u>	<u>1,457,166</u>
Community Center:				
Personal services	895,427	897,091	817,790	805,527
Contractual services	133,727	133,727	138,107	135,941
Supplies	111,790	111,790	93,957	67,029
Fixed charges	3,600	3,600	4,044	3,726
Other	14,500	14,500	5,402	6,978
Capital outlay	-	-	-	10,880
Total Community Center	<u>1,159,044</u>	<u>1,160,708</u>	<u>1,059,300</u>	<u>1,030,081</u>
Civic Center:				
Personal services	150,526	151,552	148,042	149,235
Contractual services	37,980	37,980	26,040	32,988
Supplies	13,750	13,750	8,457	8,818
Fixed charges	150	150	-	30
Capital outlay	-	-	-	8,807
Total Civic Center	<u>202,406</u>	<u>203,432</u>	<u>182,539</u>	<u>199,878</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund (Continued)  
For the Fiscal Year Ended June 30, 2021  
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021			2020
	Budgeted Amounts		Actual	
	Original	Final		
Expenditures (continued):				
Recreation (continued):				
Sevierville Golf Club:				
Personal services	\$ 1,272,624	\$ 1,277,692	\$ 1,263,941	\$ 1,313,345
Contractual services	358,381	358,381	333,711	342,206
Supplies	654,553	654,553	704,995	657,453
Fixed charges	58,981	58,981	81,310	60,238
Capital outlay	32,000	32,000	4,925	442,306
Total Sevierville Golf Club	<u>2,376,539</u>	<u>2,381,607</u>	<u>2,388,882</u>	<u>2,815,548</u>
Total recreation	<u>5,291,075</u>	<u>5,308,868</u>	<u>5,193,385</u>	<u>5,502,673</u>
Debt administration:				
Principal	1,975,000	1,975,000	1,975,000	10,435,000
Cost of bond issuance	-	-	-	208,449
Interest	1,034,658	1,034,658	884,904	1,039,567
Debt service charges	100,000	100,000	29,975	34,194
Total debt administration	<u>3,109,658</u>	<u>3,109,658</u>	<u>2,889,879</u>	<u>11,717,210</u>
Total expenditures	<u>38,002,562</u>	<u>38,262,734</u>	<u>35,778,658</u>	<u>44,115,977</u>
Revenues over (under) expenditures	<u>1,529,636</u>	<u>1,419,905</u>	<u>13,731,194</u>	<u>(3,662,209)</u>
Other financing sources (uses):				
Transfers in	2,263,058	2,263,058	2,615,906	2,119,958
Transfers out	(6,149,004)	(6,149,004)	(6,154,698)	(9,183,325)
Refunding bonds issued	-	-	-	7,765,000
Premium on refunding bonds issued	-	-	-	1,103,449
Total other financing sources (uses)	<u>(3,885,946)</u>	<u>(3,885,946)</u>	<u>(3,538,792)</u>	<u>1,805,082</u>
Net change in fund balances	<u>(2,356,310)</u>	<u>(2,466,041)</u>	<u>10,192,402</u>	<u>(1,857,127)</u>
Fund balance, beginning	<u>20,044,676</u>	<u>20,044,676</u>	<u>20,044,676</u>	<u>21,901,803</u>
Fund balance, ending	<u>\$ 17,688,366</u>	<u>\$ 17,578,635</u>	<u>\$ 30,237,078</u>	<u>\$ 20,044,676</u>

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

## Enterprise Funds

**Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered primarily through user charges. The government has the following Enterprise Funds:

**Water and Sewer Department Fund** – to account for the providing of water and sewer services to the residents of the government and surrounding areas. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer Department debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The fund is operated as Sevierville Water Systems.

**Electric Department Fund** – to account for the providing of electricity to the residents of the government and Sevier County. Activities of the fund include administration, operation and maintenance of the electric system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Electric Department debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The fund is operated as Sevier County Electric System.

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**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Net Position  
Proprietary Funds  
June 30, 2021**

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 20,996,125	\$ 18,870,116	\$ 39,866,241	\$ 4,454,628
Investments:				
Unsegregated	981,454	7,269,095	8,250,549	-
Segregated for emergency and self-insured funds	-	4,804,143	4,804,143	-
Receivables:				
Customers (net of allowance for doubtful accounts of \$485,384 and \$679,442, respectively)	1,113,152	6,716,171	7,829,323	-
Other, including current maturities of notes receivable from customers of \$444,444	623,098	1,112,772	1,735,870	150,377
Unbilled revenue	1,111,510	7,563,352	8,674,862	-
Materials and supplies inventories	777,113	2,583,540	3,360,653	-
Restricted assets:				
Cash and cash equivalents	-	53,982	53,982	-
Investments - debt reserve	-	2,500,000	2,500,000	-
Total current assets	<u>25,602,452</u>	<u>51,473,171</u>	<u>77,075,623</u>	<u>4,605,005</u>
Noncurrent assets:				
Capital assets, not being depreciated:				
Land and land rights	445,426	7,543,575	7,989,001	-
Construction work in progress	1,270,660	3,314,741	4,585,401	-
Capital assets, being depreciated:				
Utility plant	115,366,026	238,249,835	353,615,861	-
Machinery and equipment	12,299,996	11,817,170	24,117,166	-
Less accumulated depreciation	<u>(54,694,464)</u>	<u>(115,077,830)</u>	<u>(169,772,294)</u>	-
Total capital assets	74,687,644	145,847,491	220,535,135	-
Other noncurrent assets:				
Notes receivable from customers, less current maturities	-	1,935,186	1,935,186	-
Tennessee Valley Authority Residential Energy Services Program receivable	-	1,909,502	1,909,502	-
Other investments	-	423,594	423,594	-
Regulatory assets, unamortized	-	172,214	172,214	-
Other assets	-	53,233	53,233	-
Net pension asset	<u>229,752</u>	-	<u>229,752</u>	-
Total noncurrent assets	<u>74,917,396</u>	<u>150,341,220</u>	<u>225,258,616</u>	-
Total assets	<u>100,519,848</u>	<u>201,814,391</u>	<u>302,334,239</u>	<u>4,605,005</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Accumulated changes in fair value of hedging derivatives	2,689,552	344,820	3,034,372	-
Pension related	2,552,246	6,460,862	9,013,108	-
OPEB related	<u>297,000</u>	<u>2,107,824</u>	<u>2,404,824</u>	-
Total deferred outflows of resources	<u>5,538,798</u>	<u>8,913,506</u>	<u>14,452,304</u>	-

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Net Position  
Proprietary Funds (Continued)  
June 30, 2021**

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Water and Sewer Department Fund	Electric Department Fund	Total	
				Internal Service Funds
<u>LIABILITIES</u>				
Current liabilities:				
Current maturities of long-term debt	\$ 825,000	\$ 2,044,444	\$ 2,869,444	\$ -
Compensated absences - current	50,000	1,151,737	1,201,737	-
Accounts payable	312,769	12,303,743	12,616,512	5,276
Accrued expenses	209,618	1,439,930	1,649,548	-
Accrued interest	69,023	21,000	90,023	-
Reserve for health insurance claims	-	1,982,043	1,982,043	182,993
Revenues received in advance	353,750	-	353,750	-
Customer deposits, including interest of \$397,053	1,236,623	19,069,744	20,306,367	-
Total current liabilities	3,056,783	38,012,641	41,069,424	188,269
Noncurrent liabilities:				
Long-term debt, less current maturities	28,151,283	5,189,422	33,340,705	-
Compensated absences, less current portion	225,380	3,483,627	3,709,007	-
Derivative instrument - interest rate swap	2,689,552	344,820	3,034,372	-
Net OPEB liability	-	2,478,340	2,478,340	-
Total OPEB liability	994,100	-	994,100	-
Net pension liability	2,320,423	13,225,241	15,545,664	-
Advances from Tennessee Valley Authority Residential Energy Services Program	-	1,916,118	1,916,118	-
Total noncurrent liabilities	34,380,738	26,637,568	61,018,306	-
Total liabilities	37,437,521	64,650,209	102,087,730	188,269
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related	337,092	405,985	743,077	-
OPEB related	109,600	668,965	778,565	-
Total deferred inflows of resources	446,692	1,074,950	1,521,642	-
<u>NET POSITION</u>				
Net position:				
Net investment in capital assets	45,711,361	141,002,491	186,713,852	-
Restricted for debt service	-	2,553,982	2,553,982	-
Restricted for pensions	229,752	-	229,752	-
Unrestricted	22,233,320	1,446,265	23,679,585	4,416,736
Total net position	\$ 68,174,433	\$ 145,002,738	\$ 213,177,171	\$ 4,416,736

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

**CITY OF SEVIERVILLE, TENNESSEE**
**Statement of Revenues, Expenses, and Change in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021**

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
Operating revenues:				
Utility sales	\$ 16,951,105	\$ 155,606,481	\$ 172,557,586	\$ -
Other operating revenue	1,720,792	3,225,749	4,946,541	100,172
Medical, dental and childcare revenue	-	-	-	4,442,072
Total operating revenues	<u>18,671,897</u>	<u>158,832,230</u>	<u>177,504,127</u>	<u>4,542,244</u>
Operating expenses:				
Operations	7,783,828	6,066,577	13,850,405	3,607,767
Maintenance	187,396	10,614,708	10,802,104	-
Depreciation and amortization	3,929,881	8,347,463	12,277,344	-
Administrative and general	1,339,983	6,946,228	8,286,211	384,526
Purchased power	-	118,698,501	118,698,501	-
Payroll taxes	-	555,314	555,314	-
Total operating expenses	<u>13,241,088</u>	<u>151,228,791</u>	<u>164,469,879</u>	<u>3,992,293</u>
Operating income (loss)	<u>5,430,809</u>	<u>7,603,439</u>	<u>13,034,248</u>	<u>549,951</u>
Non-operating revenues (expenses):				
Interest income	225,969	158,439	384,408	-
Settlement agreement	893,850	-	893,850	-
Miscellaneous income	139,049	-	139,049	-
Merchandise sales, net of costs	-	(19,489)	(19,489)	-
Interest expense	(862,889)	(335,943)	(1,198,832)	-
Gain (loss) on disposal	(182,503)	-	(182,503)	-
Intergovernmental - in lieu of tax	-	(598,934)	(598,934)	-
	<u>213,476</u>	<u>(795,927)</u>	<u>(582,451)</u>	<u>-</u>
Income (loss) before transfers	5,644,285	6,807,512	12,451,797	549,951
Transfers out	<u>(174,456)</u>	<u>(1,941,450)</u>	<u>(2,115,906)</u>	<u>(1,500,000)</u>
Change in net position	5,469,829	4,866,062	10,335,891	(950,049)
Net position, beginning	<u>62,704,604</u>	<u>140,136,676</u>	<u>202,841,280</u>	<u>5,366,785</u>
Net position, ending	<u>\$ 68,174,433</u>	<u>\$ 145,002,738</u>	<u>\$ 213,177,171</u>	<u>\$ 4,416,736</u>

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

## CITY OF SEVIERVILLE, TENNESSEE

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Water and Sewer Department Fund	Electric Department Fund	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 19,559,867	\$ 160,601,453	\$ 180,161,320	\$ -
Cash received from employees, other participants and other funds	-	-	-	4,483,431
Cash payments to suppliers for goods and services	(8,240,459)	(129,824,642)	(138,065,101)	(905,897)
Cash payments to other funds	-	-	-	(1,500,000)
Cash payments to employees for services	(2,216,838)	(10,351,713)	(12,568,551)	-
Cash payments for claims	-	-	-	(3,463,423)
Net cash provided (used) by operating activities	<u>9,102,570</u>	<u>20,425,098</u>	<u>29,527,668</u>	<u>(1,385,889)</u>
Cash flows from noncapital financing activities:				
Cash payment for in-lieu of taxes	(174,456)	(2,540,384)	(2,714,840)	-
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	-	(1,572)	(1,572)	-
Repayment of USDA loan	-	(444,450)	(444,450)	-
Net cash used by noncapital financing activities	<u>(174,456)</u>	<u>(2,986,406)</u>	<u>(3,160,862)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,994,397)	(10,222,436)	(15,216,833)	-
Proceeds on sale of materials	44,172	-	44,172	-
Principal paid on long-term debt	(825,000)	(1,520,000)	(2,345,000)	-
Interest paid	(882,831)	(303,500)	(1,186,331)	-
Net cash used by capital and related financing activities	<u>(6,658,056)</u>	<u>(12,045,936)</u>	<u>(18,703,992)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	-	(306,058)	(306,058)	-
Interest received on investments	221,569	158,439	380,008	-
Customer repayments of USDA note receivable	-	444,444	444,444	-
Net cash provided by investing activities	<u>221,569</u>	<u>296,825</u>	<u>518,394</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,491,627	5,689,581	8,181,208	(1,385,889)
Cash and cash equivalents, beginning	18,504,498	13,234,517	31,739,015	5,840,517
Cash and cash equivalents, ending	<u>\$ 20,996,125</u>	<u>\$ 18,924,098</u>	<u>\$ 39,920,223</u>	<u>\$ 4,454,628</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 5,430,809	\$ 7,603,439	\$ 13,034,248	\$ 549,951
Transfers to other funds	-	-	-	(1,500,000)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	3,929,881	8,347,463	12,277,344	-
Miscellaneous income (expense)	1,032,899	(19,489)	1,013,410	-
(Increase) decrease in assets and deferred outflows:				
Receivables	13,864	(103,209)	(89,345)	(58,813)
Unbilled revenues	(185,144)	-	(185,144)	-
Materials and supplies inventory	(14,579)	(31,138)	(45,717)	-
Other assets	-	4,375	4,375	-
Net pension asset	7,357	-	7,357	-
Deferred outflows related to pension and OPEB	(738,932)	2,295,094	1,556,162	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	(326,302)	1,101,883	775,581	(22,443)
Accrued expenses	40,121	232,400	272,521	-
Reserve for health insurance claims	-	(387,725)	(387,725)	(354,584)
Customer deposits	95,351	1,891,921	1,987,272	-
Revenue received in advance	(69,000)	-	(69,000)	-
Compensated absences	(17,727)	(72,153)	(89,880)	-
Net OPEB liability	(47,100)	580,025	532,925	-
Net pension liability	394,333	508,063	902,396	-
Deferred inflows related to pension plan and OPEB	(443,261)	(1,525,851)	(1,969,112)	-
Net cash provided (used) by operating activities	<u>\$ 9,102,570</u>	<u>\$ 20,425,098</u>	<u>\$ 29,527,668</u>	<u>\$ (1,385,889)</u>

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

**Fiduciary Funds**  
**Pension and Other Employee Benefit Trust Funds**

The pension and other employee benefit trust funds account for the activities of the Sevier County Electric System Employees' Pension Plan and Sevier County Electric System Retiree Medical, Dental, and Life Insurance Plan Trust Fund, which accumulate resources for pension and other postemployment benefit payments to qualified beneficiaries.

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## CITY OF SEVIERVILLE, TENNESSEE

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### Statement of Fiduciary Net Position Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2021

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#### ASSETS

Cash and cash equivalents	\$ 910,556
Total cash and cash equivalents	<u>910,556</u>
Investments, at fair value:	
Mutual funds - equity	38,253,792
Mutual funds - fixed income	<u>13,721,878</u>
Total investments	<u>51,975,670</u>
Total assets	<u>52,886,226</u>

#### NET POSITION

Net position restricted for:	
Pensions	47,376,343
Postemployment benefits other than pensions	<u>5,509,883</u>
Total net position	<u>\$ 52,886,226</u>

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

## CITY OF SEVIERVILLE, TENNESSEE

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### Statement of Changes in Fiduciary Net Position Fiduciary Funds - Pension and Other Employee Benefit Trust Funds For the Fiscal Year Ended June 30, 2021

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Additions to net position:	
Employer contributions	\$ 2,659,468
Employee contributions	<u>349,841</u>
Total contributions	<u>3,009,309</u>
Investment income:	
Interest and dividend income	579,892
Net increase in fair value of investments	<u>12,489,559</u>
Total investment income	<u>13,069,451</u>
Total additions	<u>16,078,760</u>
Deductions from net position:	
Benefits paid to participants	4,862,336
Custodial fees	<u>37,668</u>
Total deductions	<u>4,900,004</u>
Net increase in net position	11,178,756
Net position restricted:	
Beginning of the year	<u>41,707,470</u>
End of the year	<u><u>\$ 52,886,226</u></u>

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

## CITY OF SEVIERVILLE, TENNESSEE

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### Notes to the Financial Statements June 30, 2021

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

The City of Sevierville, Tennessee (government) is a municipal corporation governed by a Home Rule Charter form of government. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The Public Building Authority of the City of Sevierville, Tennessee (PBA) is reported as a blended component unit accounted for as a governmental capital projects fund. The PBA serves the geographic area of Sevierville and its corporate charter grants it legally separate corporate powers. The PBA was created in July, 2003 by the government under the provisions of The Tennessee Public Building Authorities Act of 1971, TCA 12-10-101, granting its permission to apply to the Tennessee Secretary of State for incorporation as a public nonprofit corporation to undertake responsibility to provide for construction, operation, and management of "Qualified Public Use Facilities" as outlined improvements for a Tourism Development Zone/Central Business Improvement District established by the government and approved by the State of Tennessee. The government has appointed seven Directors to the PBA's Board of Directors with staggered terms of service, none of which are elected government officials. The government also provides all funding for the PBA. There is no separate report issued for the PBA.

##### 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 and sewer 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 financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**Governmental funds** are used to account for the government's general government activities.

The government reports the following major governmental funds:

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

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Financial Statements (Continued)

**Governmental funds (Continued)**

The *Central Business Improvement District Fund* (CBID Fund) accounts for the use of certain bond funds and the servicing of certain long-term debt of the government.

**Proprietary funds** are used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise. Enterprise funds account for operations that provide services primarily to the general public on a user charge basis.

The government reports the following major enterprise funds:

The *Water and Sewer Department Fund* accounts for all the activities of Sevierville Water Systems, a department of the government. Sevierville Water Systems operates the water distribution and sewer collection and treatment systems for residents of the government and surrounding areas.

The *Electric Department Fund* accounts for all the activities of Sevier County Electric System, a department of the government. Sevier County Electric System operates the electric utility for residents of the government and all of Sevier County. The Sevier County Electric System operates under a separate Board of Commissioners appointed by the government's ruling body. Complete comparative financial statements of this fund can be obtained from Sevier County Electric System, P.O. Box 4870, Sevierville, TN 37864-4870.

Additionally, the government reports the following fund types:

*Internal Service Funds* account for risk management services (including claims for health, dental and vision and childcare) provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

**Fiduciary funds** account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following:

*The Sevier County Electric System Employees' Pension*  
*The Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan*

The *pension trust* and *other post-employment benefit trust* funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period when contributions are due and payable in accordance with the terms of the plan. Employer contributions are recognized when due and the government makes a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Basis of Presentation – Fund Financial Statements (Continued)**

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

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### Notes to the Financial Statements June 30, 2021

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#### 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. Grants 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 funds and fiduciary funds are 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 or transfers of unencumbered appropriations between departments 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 department level.

Appropriations in all budgeted funds lapse, with the exception of the Capital Budget Fund, 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, 2021, the government had no encumbrances. Also, for the year ended June 30, 2021, the government did not have any excess expenditure over appropriations.

##### Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

##### **Cash and Cash Equivalents**

The government'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 the date of acquisition. The cash and cash equivalents of various funds of the government are invested in pooled accounts. Funds with negative cash and cash equivalents report the negative amount as due to other funds of the primary government and the funds lending funds report an offsetting due from other funds of the primary government. Investment income earned on funds invested in pooled accounts is allocated to the respective funds on the basis of relative balances.

## CITY OF SEVIERVILLE, TENNESSEE

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### Notes to the Financial Statements June 30, 2021

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

#### **Investments**

##### *Governmental and proprietary funds*

Investments consist primarily of certificates of deposit and investments in the Tennessee Local Government Investment Pool. Certificates of deposit are reported at cost, which approximates fair value. Tennessee Local Government Investment Pool is maintained and managed by the State of Tennessee. This Pool is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the government's investments in the Pool have been determined based on the Pool's share price, which approximates fair value.

##### *Fiduciary funds*

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments sold as well as held during the year.

#### **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 inflow of resources. A reserve representing delinquent taxes which remain uncollected and are unavailable to fund expenditures of the fiscal year June 30, 2021 is recorded. The balance of the reserve account at June 30, 2021 is \$73,391.

At June 30, 2021, the government's 2021 property taxes were not scheduled to be billed until October 2021. Consequently, unbilled property taxes and deferred inflows of resources of \$4,308,914 are recorded.

#### **Inventories and Prepayments**

Inventories of items available for resale in the general fund are valued at the lower of cost or market and inventories of construction materials, supplies and repair parts in the enterprise funds are valued at cost. Inventories are determined on the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

**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, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. For infrastructure assets, the same estimated minimum useful life is used, but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, 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 acquisition value at the date of donation, which is the price that would be paid to purchase an asset with equivalent service potential in an orderly market transaction.

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, 2021, there were no capitalized interest costs.

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	15 – 75 years
Infrastructure	50 – 100 years
Machinery and equipment	5 – 30 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>
Machinery and equipment	5 – 20 years
Utility plant	7½ – 50 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.

## CITY OF SEVIERVILLE, TENNESSEE

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### Notes to the Financial Statements June 30, 2021

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

##### **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 future periods 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 future periods 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/inflows of resources. Pension and OPEB plans contributions made after the net pension liability measurement date are also reported as deferred outflows of resources on the statement of net position. Certain sales taxes in the central business improvement district fund and certain property taxes and grant revenues in the other funds 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 certain additional items related to pensions and OPEB plans.

##### **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 their use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors or 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.

## CITY OF SEVIERVILLE, TENNESSEE

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### Notes to the Financial Statements June 30, 2021

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

#### **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 consists of funds that are set aside for a specific purpose determined by the Board of Mayor and Aldermen. Formal action must be taken prior to the end of the fiscal year. Any funds set aside as committed fund balance requires the passage of an ordinance, the Board's most binding constraint. Once committed, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

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 Board of Mayor and Aldermen has by resolution authorized the finance director to assign fund balance. The Board 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.

The fund balance policy establishes a minimum unassigned general fund balance equal to 25 percent of budgeted general fund expenditures. In the event that the balance drops below the established minimum level, the governing body will develop a plan to replenish the fund balance to the established minimum level within two years.

#### 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.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Revenues and Expenditures/Expenses (Continued)**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. At June 30, 2021, there are no such amounts reported. 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.

Government (excluding Electric Department Fund) employees may accrue up to 160 hours (216 hours for fire department employees) of vacation leave per year, depending upon years of service. The government's standard policy is any accrued vacation leave in excess of 240 hours (324 hours for fire department employees) at June 30<sup>th</sup> of each year is converted to accrued sick leave. Upon separation from the government, the employee will be paid 100% of accrued vacation leave up to a maximum of 240 hours (324 hours for fire department employees) if proper notice has been given.

Sick leave accrues at the rate of eight hours per month without a maximum limitation. Accrued sick leave does not vest and, accordingly, has not been recorded as a liability at June 30, 2021. However, the cost of accrued sick leave is recognized when earned for the Water and Sewer Department Fund employees who were employed on July 1, 2005 (pre-merger employees). Pre-merger employees were allowed to accumulate unlimited sick leave (eight hours per month). All accumulated sick leave is forfeited if any of these employees resign or are terminated. In the event of death or retirement, accumulated sick leave is payable to a maximum of 800 hours to these employees.

Electric Department Fund employees may accrue up to 280 hours of vacation and personal leave per year, depending upon years of service. A maximum of 40 hours at December 31<sup>st</sup> of each year may be carried over. Upon separation from the government, the employee will be paid 100% of accrued vacation leave up to a maximum of 280 hours if proper notice has been given. Employees earn 10 hours of sick leave per month with a maximum accumulation of 2,080 hours. Upon retirement or death, employees are compensated for any accumulated sick leave up to 1,800 hours. Although not required, the Electric Department Fund's policy is to accrue this amount in full, which totaled \$4,023,787 at June 30, 2021. In the event of termination, employees forfeit all unused sick leave.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Revenues and Expenditures/Expenses (Continued)****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.

**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.

**Plant Acquisition Adjustments**

Plant acquisition adjustments represent the excess of cost over net book value of utility properties acquired from other utility systems. Such excess cost is amortized over a period of twenty years.

**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 government'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 Electric Department Fund 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 a portion of depreciation expense is charged to a transportation clearing account and capitalized in the related project; 2) Electric plant additions are reduced by capital contributions; and 3) Debt issuance costs are treated as a regulatory asset as defined in GASB Statement 62 and are capitalized when incurred and amortized over the life of the related debt issue using the straight-line method.

## CITY OF SEVIERVILLE, TENNESSEE

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### Notes to the Financial Statements

June 30, 2021

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Other Accounting Policies (Continued)

##### **Regulated Operations (Continued)**

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

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

##### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sevier County Electric System Employees' Pension Plan (SEPP) as well as the government's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **Postemployment Benefits Other Than Pensions (OPEB)**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (SCES Plan) and additions to/deductions from SCES Plan's fiduciary net position have been determined on the same basis as they are reported by SCES Plan. For this purpose, SCES Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

##### Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent statements and implementation guide that are effective in the current fiscal year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests*
- Implementation Guide 2019-2, *Fiduciary Activities*

Both Statement No. 84 and Implementation Guide 2019-2 had an effect on the government's financial statements.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements  
June 30, 2021**


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**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

At June 30, 2021, cash, cash equivalents and investments consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Checking and savings accounts	\$ 65,389,401	\$ 2,645,684	\$ 68,035,085
Cash equivalents held in trust	<u>-</u>	<u>55,686</u>	<u>55,686</u>
Cash and cash equivalents	<u>\$ 65,389,401</u>	<u>\$ 2,701,370</u>	<u>\$ 68,090,771</u>
Tennessee Local Government Investment Pool	\$ 12,117,880	\$ 11,322,852	\$ 23,440,732
Certificates of Deposit	<u>13,054,692</u>	<u>5,250,112</u>	<u>18,304,804</u>
Investments	<u>\$ 25,172,572</u>	<u>\$ 16,572,964</u>	<u>\$ 41,745,536</u>

**Government** (excluding Electric Department Fund) – At June 30, 2021, the government's deposits with financial institutions were entirely covered by federal depository insurance or insured through the State of Tennessee Bank Collateral Pool.

**Electric Department Fund** – Cash on deposit with financial institutions at June 30, 2021 was entirely secured by federal depository insurance, collateral held by the Electric Department Fund's agent in the name of Sevier County Electric System or insured through the State of Tennessee Bank Collateral Pool.

The governing body has not adopted a formal deposit and investment policy that limits the government's allowable deposits and investments or addresses credit risk, custodial credit risk, concentration of credit risk or interest rate risk. However, the government follows state statutes related to investments. State law and bond requirements prohibit investments that are not secured or insured by the U.S. Government. All assets currently classified as investments by the government consist of deposits with the Tennessee Local Government Investment Pool (LGIP) and non-negotiable certificates of deposit which are not subject to fair value reporting methods but are reported using the historical cost method. LGIP is included in the State Pooled Investment Fund of Tennessee (SPIF). The State of Tennessee has not obtained a credit quality rating for the SPIF from a nationally recognized credit ratings agency.

**CITY OF SEVIERVILLE, TENNESSEE**
**Notes to the Financial Statements  
June 30, 2021**
**3. CAPITAL ASSETS**

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

Governmental Activities	Balance June 30, 2020	Additions	Deductions/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 55,374,018	\$ -	\$ -	\$ 55,374,018
Construction work in progress	9,178,612	4,497,590	-	13,676,202
Total capital assets, not being depreciated	<u>64,552,630</u>	<u>4,497,590</u>	<u>-</u>	<u>69,050,220</u>
Capital assets, being depreciated:				
Buildings and improvements	104,977,337	582,441	-	105,559,778
Bridges	2,999,476	-	-	2,999,476
Street network	49,147,106	-	-	49,147,106
Traffic signals	1,975,716	908,328	-	2,884,044
Computers	1,021,944	106,374	-	1,128,318
Equipment	8,208,918	296,048	(51,648)	8,453,318
Furniture	681,225	-	-	681,225
Radios	28,931	12,881	-	41,812
Vehicles	10,056,648	1,099,646	(325,177)	10,831,117
Total capital assets, being depreciated	<u>179,097,301</u>	<u>3,005,718</u>	<u>(376,825)</u>	<u>181,726,194</u>
Less accumulated depreciation:				
Buildings and improvements	35,424,813	2,324,740	-	37,749,553
Bridges	940,897	37,396	-	978,293
Street network	8,405,353	321,703	-	8,727,056
Traffic signals	1,116,945	60,083	-	1,177,028
Computers	785,537	94,471	-	880,008
Equipment	6,398,699	355,301	(51,648)	6,702,352
Furniture	671,194	2,068	-	673,262
Radios	27,392	1,421	-	28,813
Vehicles	5,919,501	675,505	(324,177)	6,270,829
Total accumulated depreciation	<u>59,690,331</u>	<u>3,872,688</u>	<u>(375,825)</u>	<u>63,187,194</u>
Capital assets, being depreciated, net	<u>119,406,970</u>	<u>(866,970)</u>	<u>(1,000)</u>	<u>118,539,000</u>
Governmental activities capital assets, net	<u>\$ 183,959,600</u>	<u>\$ 3,630,620</u>	<u>\$ (1,000)</u>	<u>\$ 187,589,220</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,271,761
Public Safety	843,294
Public Works	862,291
Recreation	679,223
Community Development	<u>216,119</u>
Total depreciation expense	<u>\$ 3,872,688</u>

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

**3. CAPITAL ASSETS (Continued)**

Business-Type Activities	Balance June 30, 2020	Additions	Deductions/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:				
Land and land rights	\$ 7,985,001	\$ 4,000	\$ -	\$ 7,989,001
Construction work in progress	<u>5,093,164</u>	<u>(507,763)</u>	<u>-</u>	<u>4,585,401</u>
Total capital assets, not being depreciated	<u>13,078,165</u>	<u>(503,763)</u>	<u>-</u>	<u>12,574,402</u>
Capital assets, being depreciated:				
Electric distribution system	230,081,294	10,055,999	(1,887,458)	238,249,835
Water and sewer plant	111,395,196	4,905,901	(935,071)	115,366,026
Machinery and equipment	6,567,966	382,635	(92,073)	6,858,528
Transportation equipment	9,920,995	375,627	(368,435)	9,928,187
Office furniture and fixtures	1,880,295	16,805	-	1,897,100
Other capital assets	<u>5,249,249</u>	<u>184,102</u>	<u>-</u>	<u>5,433,351</u>
Total capital assets, being depreciated	<u>365,094,995</u>	<u>15,921,069</u>	<u>(3,283,037)</u>	<u>377,733,027</u>
Less accumulated depreciation:				
Electric distribution system	101,648,081	8,070,877	(2,153,502)	107,565,456
Water and sewer plant	45,131,113	2,983,276	(709,396)	47,404,993
Machinery and equipment	4,008,264	445,914	(92,073)	4,362,105
Transportation equipment	5,375,719	646,108	(338,935)	5,682,892
Office furniture and fixtures	1,537,367	43,051	-	1,580,418
Other capital assets	<u>2,650,294</u>	<u>526,136</u>	<u>-</u>	<u>3,176,430</u>
Total accumulated depreciation	<u>160,350,838</u>	<u>12,715,362</u>	<u>(3,293,906)</u>	<u>169,772,294</u>
Capital assets, being depreciated, net	<u>204,744,157</u>	<u>3,205,707</u>	<u>10,869</u>	<u>207,960,733</u>
Business-type activities capital assets, net	<u>\$ 217,822,322</u>	<u>\$ 2,701,944</u>	<u>\$ 10,869</u>	<u>\$ 220,535,135</u>

Depreciation expense was charged to business-type activities as follows:

Water and Sewer Department Fund	\$ 3,929,881
Electric Department Fund	<u>8,785,481</u> *
Total depreciation expense	<u>\$ 12,715,362</u>

\* Of this amount, \$438,018 was charged to a transportation clearing account and capitalized into construction work in progress.

**CITY OF SEVIERVILLE, TENNESSEE**
**Notes to the Financial Statements  
June 30, 2021**
**4. LONG-TERM LIABILITIES**
General Obligation Bonds and Notes Payable

The government issues general obligation bonds and general obligation revenue bonds to provide funds for the acquisition and construction of major capital facilities and has issued notes payable for two local development programs. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with varying amounts of principal maturing each year with maturities that range from 4 to 15 years. The general obligation bonds and notes payable outstanding at June 30, 2021 are as follows:

Debt Issue	Issued	Original Borrowing	Interest Rates	Final Maturity	Outstanding June 30, 2021
<b>Governmental Activities:</b>					
Local Government Public Improvement Bonds, Series VII-L-1	06/01/12	\$ 16,215,000	Varies	2025	\$ 7,595,000
Local Government Public Improvement Bonds, Series VII-M-1	05/29/14	2,300,000	Varies	2032	1,700,000
General Obligation Bonds, Series 2015	05/29/15	5,680,000	Varies	2032	5,155,000
General Obligation Refunding Bonds, Series 2020	05/29/20	7,765,000	Varies	2032	7,665,000
Local Government Public Improvement Bonds, Series 2009B	12/30/09	24,500,000	Varies	2034	24,500,000
Local Government Public Improvement Bonds, Series 2010A	01/14/10	25,000,000	Varies	2033	25,000,000
Local Government Public Improvement Bonds, Series 2010B	09/15/10	26,100,000	Varies	2031	26,100,000
Local Government Public Improvement Bonds, Series VII-N-1	05/01/14	25,000,000	Varies	2028	18,650,000
General Obligation Refunding Bonds, Series 2018	05/31/18	42,760,000	Varies	2028	<u>33,810,000</u>
Total governmental activities					<u>\$ 150,175,000</u>
<b>Business-Type Activities:</b>					
Local Government Public Improvement Bonds, Series VII-A-2	06/01/09	\$ 8,000,000	Varies	2035	\$ 8,000,000
General Obligation Bond, Series 2011	11/15/11	5,000,000	Varies	2032	5,000,000
Local Government Public Improvement Bonds, Series VII-M-1	05/29/14	8,525,000	Varies	2035	7,275,000
General Obligation Bond, Series 2015	05/29/15	11,225,000	Varies	2035	8,500,000
Local Government Public Improvement Bonds, Series V-D-1	10/01/10	21,700,000	Varies	2024	<u>4,845,000</u>
Sub-total general obligation bonds					<u>33,620,000</u>
Note payable to USDA	06/01/16	1,000,000	0.00%	2026	546,296
Note payable to USDA	08/08/16	2,000,000	0.00%	2027	1,129,618
Note payable to USDA	11/16/17	1,000,000	0.00%	2028	<u>712,952</u>
Sub-total notes payable					<u>2,388,866</u>
Total business-type activities					<u>\$ 36,008,866</u>

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

**4. LONG-TERM LIABILITIES (Continued)**

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 158,225,000	\$ -	\$ 8,050,000	\$ 150,175,000	\$ 9,170,000
Premium	3,410,312	-	385,998	3,024,314	-
Total bonds payable	161,635,312	-	8,435,998	153,199,314	9,170,000
Compensated absences	889,711	724,370	641,035	973,046	642,000
Governmental activities long-term liabilities	<u>\$ 162,525,023</u>	<u>\$ 724,370</u>	<u>\$ 9,077,033</u>	<u>\$ 154,172,360</u>	<u>\$ 9,812,000</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 35,965,000	\$ -	\$ 2,345,000	\$ 33,620,000	\$ 2,425,000
Premium	215,874	-	14,591	201,283	-
Total bonds payable	36,180,874	-	2,359,591	33,821,283	2,425,000
Notes payable	2,833,316	-	444,450	2,388,866	444,444
Compensated absences	5,000,624	1,366,900	1,456,780	4,910,744	1,201,737
Business-type activities long-term liabilities	<u>\$ 44,014,814</u>	<u>\$ 1,366,900</u>	<u>\$ 4,260,821</u>	<u>\$ 41,120,893</u>	<u>\$ 4,071,181</u>

The debt service requirements for the government's general obligation bonds and notes payable (direct borrowings, see Note 18) are as follows:

	Governmental Activities		Business-Type Activities				Total		Grand Total	
	Bonds		Bonds		Direct Borrowings					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 9,170,000	\$ 5,156,858	\$ 2,425,000	\$ 1,016,476	\$ 444,444	\$ -	\$ 2,869,444	\$ 1,016,476	\$ 12,039,444	\$ 6,173,334
2023	9,610,000	4,822,440	2,535,000	936,989	444,444	-	2,979,444	936,989	12,589,444	5,759,429
2024	10,075,000	4,471,624	2,460,000	864,301	444,444	-	2,904,444	864,301	12,979,444	5,335,925
2025	10,535,000	4,102,533	1,675,000	792,894	444,444	-	2,119,444	792,894	12,654,444	4,895,427
2026	10,525,000	3,769,427	2,140,000	743,491	435,185	-	2,575,185	743,491	13,100,185	4,512,918
2027-2031	60,095,000	13,849,011	11,930,000	3,185,676	175,905	-	12,105,905	3,185,676	72,200,905	17,034,687
2032-2035	40,165,000	2,727,433	10,455,000	518,410	-	-	10,455,000	518,410	50,620,000	3,245,843
	<u>\$150,175,000</u>	<u>\$38,899,326</u>	<u>\$ 33,620,000</u>	<u>\$ 8,058,237</u>	<u>\$ 2,388,866</u>	<u>\$ -</u>	<u>\$ 36,008,866</u>	<u>\$ 8,058,237</u>	<u>\$186,183,866</u>	<u>\$46,957,563</u>

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

**5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS**

At June 30, 2021, the government had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
<b>Governmental activities</b>						
\$19.27 M Swap	Pay fixed interest rate swap	Floating to fixed rate swap	\$ 19,270,000	12/28/2001	6/1/2025	Pay 4.395% Receive 63.1% CMS LIBOR 5-year
\$38.15 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 38,150,000	6/24/2004	6/1/2034	Pay 3.49% Receive 59.0% CMS LIBOR 5-year
\$36.85 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 36,850,000	1/18/2006	6/1/2031	Pay 3.968% Receive 63.0% CMS LIBOR 5-year
<b>Business-type activities</b>						
\$8.00 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 8,000,000	6/1/2006	6/1/2035	Pay 4.41% Receive 63.1% CMS LIBOR 5-year
\$17 M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 17,000,000	6/1/2002	6/1/2024	Pay 4.34% Receive 63.5% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instrument from the year then ended as reported in the 2021 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at 6/30/2021		6/30/2021 Notional Amount
	Classification	Amount	Classification	Amount	
<b>Governmental activities</b>					
Investment derivative - Pay fixed interest rate swaps: \$19.27 M Swap	Investment gain	\$ (467,031)	Debt	\$ (657,663)	\$ 7,595,000
Investment derivative - Pay fixed interest rate swaps: \$38.15 M Swap	Investment gain	\$ (3,824,821)	Debt	\$ (9,886,387)	\$ 38,150,000
Hedging derivative - Pay fixed interest rate swaps: \$36.85 M Swap	Deferred Outflow of Resources	\$ (1,498,378)	Debt	\$ (1,110,749)	\$ 36,850,000
<b>Business-type activities</b>					
Hedging derivative - Pay fixed interest rate swaps: \$8 M Swap	Deferred Outflow of Resources	\$ (893,195)	Debt	\$ (2,689,552)	\$ 8,000,000
Hedging derivative - Pay fixed interest rate swaps: \$17 M Swap	Deferred Outflow of Resources	\$ (301,630)	Debt	\$ (344,820)	\$ 6,580,000

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2021

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by 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. Three of the swap agreements described above met the effectiveness criteria, and therefore are classified as hedging derivatives. 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. Two of the swap agreements described above did not meet the criteria to be classified as hedging derivatives, and therefore are classified as investment derivative instruments.

Derivative Swap Agreement Detail

Governmental Activities

During May 1999, the government issued \$19,430,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series III-E-1 through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the government, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series III-E-1.

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 government requested the PBA, on its behalf, to enter into an interest rate swap in connection with \$19.43 million of its Series III-E-1 variable-rate bonds. The intention of the swap was to effectively change the government’s variable interest rate on the bonds to a synthetic fixed rate. The Series III-E-1 bonds have since been refunded with a portion of the proceeds of the Series VII-D-1 bonds, which in turn have been refunded by proceeds of the Series VII-L-1 bonds and the interest rate swap is now associated with the Series VII-L-1 bonds.

Terms. Under the swap, the PBA pays the counterparty a fixed payment of 4.395 percent and receives a variable payment computed as 63.10 percent of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$19.43 million. The notional amount on the interest rate swap agreement will always be associated with hedge bonds. The related swap agreement matures on June 1, 2025. As of June 30, 2021, rates were as follows:

Table with 3 columns: Description, Terms, Rates. Rows include Interest rate swap, Fixed payment to counterparty, Variable payment from counterparty, Net interest rate swap payments, True interest costs, and Synthetic interest rate on bonds.

Fair value. As of June 30, 2021, the swap had a negative fair value of \$(657,663). 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.

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

**Governmental Activities (Continued)**

*Credit risk.* As of June 30, 2021, the government 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 government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard and Poor's as of June 30, 2021, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the government to basis risk should the rate on the bonds increase to above 63.10% 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 63.10% 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 PBA 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 PBA 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 PBA for a payment equal to the swap's fair value.

*Swap payments and associated debt.* As of June 30, 2021, 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	Total
	Principal	Interest	Interest Rate Swap Payment	
2022	\$ 1,760,000	\$ 37,443	\$ 291,340	\$ 2,088,783
2023	1,850,000	28,767	223,826	2,102,593
2024	1,945,000	19,646	152,862	2,117,508
2025	2,040,000	10,057	78,253	2,128,310
	<u>\$ 7,595,000</u>	<u>\$ 95,913</u>	<u>\$ 746,281</u>	<u>\$ 8,437,194</u>

During June 2004, the government issued \$75,000,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series 2004 through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the government, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series 2004.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements**  
**June 30, 2021**


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**5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)**
Derivative Swap Agreement Detail (Continued)
**Governmental Activities (Continued)**

*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 government requested the PBA, on its behalf, to enter into an interest rate swap in connection with \$38.15 million of its Series 2004 variable-rate bonds. The intention of the swap was to effectively change the government's variable interest rate on the bonds to a synthetic fixed rate. \$24.35 million of the Series 2004 bonds have since been refunded with a portion of the proceeds of the Series 2009B Bonds and the related portion of the interest rate swap is now associated with the Series 2009B bonds. Additionally, the remaining \$13.8 million of the Series 2004 bonds have been refunded with a portion of the Series 2010A Bonds and the related portion of the interest rate swap is now associated with the Series 2010A Bonds.

*Terms.* Under the swap, the PBA pays the counterparty a fixed payment of 3.49 percent and receives a variable payment computed as 59 percent of the 5-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of \$38.15 million and the associated variable-rate bond has a \$38.15 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the related 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, 2034. As of June 30, 2021, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.490%
Variable payment from counterparty	% of LIBOR	<u>-0.523%</u>
Net interest rate swap payments		2.967%
True interest costs		<u>0.493%</u>
Synthetic interest rate on bonds		<u>3.460%</u>

*Fair value.* As of June 30, 2021, the swap had a negative fair value of (\$9,886,387). 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, 2021, the government 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 government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard & Poor's as of June 30, 2021, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

**Governmental Activities (Continued)**

*Basis risk.* As noted above, the swap exposes the government to basis risk should the rate on the bonds increase to above 59% 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 59% 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 PBA 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 PBA 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 PBA for a payment equal to the swap’s fair value.

*Swap payments and associated debt.* As of June 30, 2021, 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	Total
	Principal	Interest	Interest Rate Swap Payment	
2022	\$ -	\$ 187,997	\$ 1,132,010	\$ 1,320,007
2023	-	187,997	1,132,010	1,320,007
2024	-	187,997	1,132,010	1,320,007
2025	-	187,997	1,132,010	1,320,007
2026	-	187,997	1,132,010	1,320,007
2027 - 2031	-	939,983	5,660,048	6,600,031
2032 - 2034	38,150,000	382,151	2,301,109	40,833,260
	<u>\$ 38,150,000</u>	<u>\$ 2,262,119</u>	<u>\$ 13,621,207</u>	<u>\$ 54,033,326</u>

During June 2004, the government issued \$75,000,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series 2004 through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the government, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series 2004.

*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 government requested the PBA, on its behalf, to enter into an interest rate swap in connection with \$36.850 million of its Series 2004 variable-rate bonds. The intention of the swap was to effectively change the government’s variable interest rate on the bonds to a synthetic fixed rate. \$11.05 million of the Series 2004 bonds have since been refunded with a portion of the proceeds of the Series 2010A Bonds and the related portion of the interest rate swap is now associated with the Series 2010A Bonds. The remaining \$25.8 million of the Series 2004 bonds have been refunded with a portion of the Series 2010B Bonds and the related portion of the interest rate swap is now associated with the Series 2010B Bonds.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements**  
**June 30, 2021**


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**5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)**
Derivative Swap Agreement Detail (Continued)
**Governmental Activities (Continued)**

*Terms.* Under the swap, the PBA pays the counterparty a fixed payment of 3.968 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 \$36.85 million and the associated variable-rate bond has a \$36.85 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the related 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, 2031. As of June 30, 2021, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.968%
Variable payment from counterparty	% of LIBOR	<u>-0.558%</u>
Net interest rate swap payments		3.410%
True interest costs		<u>0.493%</u>
Synthetic interest rate on bonds		<u>3.903%</u>

*Fair value.* As of June 30, 2021, the swap had a negative fair value of \$(1,110,749). 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, 2021, the government 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 government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard & Poor's as of June 30, 2021, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the government 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 derivative 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 PBA 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 PBA 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 PBA for a payment equal to the swap's fair value.

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

**Governmental Activities (Continued)**

*Swap payments and associated debt.* As of June 30, 2021, 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	Total
	Principal	Interest	Interest Rate Swap Payment	
2022	\$ -	\$ 181,590	\$ 1,256,519	\$ 1,438,109
2023	-	181,590	1,256,519	1,438,109
2024	-	181,590	1,256,519	1,438,109
2025	-	181,590	1,256,519	1,438,109
2026	-	181,590	1,256,519	1,438,109
2027 - 2031	<u>36,850,000</u>	<u>693,224</u>	<u>4,796,763</u>	<u>42,339,987</u>
	<u>\$ 36,850,000</u>	<u>\$ 1,601,174</u>	<u>\$ 11,079,358</u>	<u>\$ 49,530,532</u>

**Business-Type Activities**

Under its loan agreement, the PBA, at the request of the Water Department Fund, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Public Improvement Bonds, Series A-2-E.

*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 Water Department Fund requested the PBA, on its behalf, to enter into an interest rate swap in connection with \$8 million of its Series A-2-E variable-rate bonds. The intention of the swap was to effectively change the Water Department Fund's variable interest rate on the bonds to a synthetic fixed rate. The Series A-2-E bonds have since been refunded with a portion of the proceeds of the Series VII-A-2 bonds and the interest rate swap is now associated with the Series VII-A-2 bonds.

*Terms.* Under the swap, the PBA pays the counterparty a fixed payment of 4.41 percent and receives a variable payment computed as 63.1 percent of the 5-year London Interbank Offered Rate (LIBOR). The swap had a notional amount of \$8 million along with the original associated variable-rate bonds. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-A-2 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, 2035. As of June 30, 2021, rates were as follows:

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

**Business-Type Activities (Continued)**

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.410%
Variable payment from counterparty	% of LIBOR	<u>-0.559%</u>
Net interest rate swap payments		3.851%
True interest costs		<u>0.863%</u>
Synthetic interest rate on bonds		<u>4.714%</u>

*Fair value.* As of June 30, 2021, the swap had a negative fair value of \$(2,689,552). 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, 2021, the government 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 government would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "A3/BBB+" by Standard & Poor's as of June 30, 2021, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the government to basis risk should the rate on the bonds increase to above 63.10% 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 63.10% 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 PBA 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 PBA 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 PBA for a payment equal to the swap's fair value.

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

**Business-Type Activities (Continued)**

*Swap payments and associated debt.* As of June 30, 2021, 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	Total
	Principal	Interest	Interest Rate Swap Payment	
2022	\$ -	\$ 69,022	\$ 308,075	\$ 377,097
2023	-	69,022	308,075	377,097
2024	-	69,022	308,075	377,097
2025	-	69,022	308,075	377,097
2026	-	69,022	308,075	377,097
2027 - 2031	2,750,000	326,994	1,459,502	4,536,496
2032 - 2035	<u>5,250,000</u>	<u>116,908</u>	<u>521,799</u>	<u>5,888,707</u>
	<u>\$ 8,000,000</u>	<u>\$ 789,012</u>	<u>\$ 3,521,676</u>	<u>\$ 12,310,688</u>

During March 1999, the Electric Department Fund issued \$17,000,000 in Local Government Public Improvement Revenue Bonds, Adjustable Rate Series II-A-1, through the TN-LOANS program sponsored by the PBA. Under its loan agreement, the PBA, at the request of the Electric Department Fund, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series II-A-1.

*Objective of the interest rate swap:* In order to protect against the potential of rising interest rates, the Electric Department Fund requested the PBA, on its behalf, to enter into an interest rate swap in connection with \$17 million of its Series II-A-1 variable-rate bonds. The intention of the swap was to effectively change the Electric Department Fund’s variable interest rate on the bonds to a synthetic fixed rate. The Series II-A-1 bonds have since been refunded with a portion of the proceeds of the Series V-D-1 bonds and the interest rate swap is now associated with the Series V-D-1 bonds.

*Terms.* Under the swap, the PBA pays the counterparty a fixed payment of 4.34 percent and receives a variable payment computed as 63.50 percent of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$17 million. The notional amount on the interest rate swap agreement will always be associated with hedge bonds. The related swap agreement matures on June 1, 2024. As of June 30, 2021, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.340%
Variable payment from counterparty	% of LIBOR	<u>-0.534%</u>
Net interest rate swap payments		3.806%
True interest costs		<u>0.040%</u>
Synthetic interest rate on bonds		<u>3.846%</u>

**CITY OF SEVIERVILLE, TENNESSEE**
**Notes to the Financial Statements  
June 30, 2021**
**5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)**
Derivative Swap Agreement Detail (Continued)
**Business-Type Activities (Continued)**

*Fair value.* As of June 30, 2021, the swap had a negative fair value of \$(344,820). 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, 2021, the Electric Department Fund 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 Electric Department Fund would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Raymond James Financial Products ("RJFP", formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Standard & Poor's as of June 30, 2021, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

*Basis risk.* As noted above, the swap exposes the Electric Department Fund to basis risk should the rate on the bonds increase to above 63.50% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the bond rate to be below 63.50% of LIBOR, then the synthetic rate on the bonds will decrease.

*Termination risk.* The derivative 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 PBA 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 PBA 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 PBA for a payment equal to the swap's fair value.

*Swap payments and associated debt.* As of June 30, 2021, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms 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	Total
	Principal	Interest	Interest Rate Swap Payment	
2022	\$ 1,600,000	\$ 1,885	\$ 187,507	\$ 1,789,392
2023	1,685,000	1,242	121,394	1,807,636
2024	1,560,000	572	62,608	1,623,180
2025	-	-	7,501	7,501
	<u>\$ 4,845,000</u>	<u>\$ 3,699</u>	<u>\$ 379,010</u>	<u>\$ 5,227,709</u>

## CITY OF SEVIERVILLE, TENNESSEE

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### Notes to the Financial Statements June 30, 2021

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#### 5. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

The London Interbank Offered Rate (LIBOR) is a global benchmark interest rate calculated daily and is the most widely used benchmark in the capital markets (there are an estimated \$200 trillion in financial contracts tied to LIBOR). State and local governments often see the LIBOR rate in interest rate swap agreements with municipal debt, as well as in floating rate notes, lease contracts, bank loans, direct placements, and other types of financings and credit enhancements. The City of Sevierville has six bank loans that are tied to LIBOR along with its five interest rate swap agreements. Sometime after 2021, LIBOR is expected to be discontinued. This change will affect the City's loans and interest rate swaps that use LIBOR as the index. As a result of the planned phaseout of LIBOR, the City anticipates transitioning out of the LIBOR index on its loans and interest rate swap agreements prior to the end of 2021 (Fiscal Year 2022).

#### 6. FAIR VALUE MEASUREMENTS

The government 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 government has the following recurring fair value measurements as of June 30, 2021:

- \$19.27M 63.1% CMS Swap III-E-1/VII-L-1 is valued using 5-year forward CMS / 3M Libor Zero Curve / AA Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- \$38.15M 59% CMS Swap 2004/Various is valued using 5-year forward CMS / 3M Libor Zero Curve / AA Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- \$36.85M 63% CMS Swap 2004/Various is valued using 5-year forward CMS / 3M Libor Zero Curve / AA Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- \$8M 63.1% CMS Swap A-2-E/VII-A-2 is valued using 5-year forward CMS / 3M Libor Zero Curve / AA Rated General Obligation Curve / LIBOR Swaption Volatility (Level 2 inputs)
- \$17M 63.5% CMS Swap Rev II-A-1/Rev V-D-1 is valued using 5-year forward CMS / 3M Libor Zero Curve / AA Rated Muni Revenue Curve / LIBOR Swaption Volatility (Level 2 inputs)

#### 7. LEASES

##### Electric Department Fund Distribution Facilities

The Electric Department Fund is party to certain agreements which provide for the joint use of the Department's distribution facilities by other utilities and certain customers. Rental revenue and expenses from these arrangements for the year ended June 30, 2021 were \$2,063,827 and \$132,027, respectively.

#### 8. SELF-INSURANCE

The government self-insures the first \$135,000 of annual medical claims for each regular full-time employee and participating health plan member. According to the reinsurance contract, the government's maximum aggregate annual liability for the period March 1, 2021 through February 28, 2022 will not exceed \$5,755,843. This plan does not include employees of the government's Electric Department Fund.

**CITY OF SEVIERVILLE, TENNESSEE**
**Notes to the Financial Statements  
June 30, 2021**
**8. SELF-INSURANCE (Continued)**

The Electric Department Fund self-insures the first \$85,000 of annual medical claims for each regular full-time employee. Liabilities for unpaid claims are estimated by the Department based on prior years' experience. During the year ended June 30, 2021, contributions totaling \$1,840,000 were made to a reserve fund. Claims, fees and insurance premiums totaling \$2,227,725 were paid from the reserve fund leaving an ending balance of \$1,982,043. Management believes this reserve fund is adequate to cover unpaid claims existing at year end.

**9. RETIREMENT PLANS**

The government contributes to two defined benefit pension plans, (1) Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS (TCRS), and (2) Sevier County Electric System Employees' Pension Plan (SEPP), which is a single-employer pension plan that is also actuarially funded. As of and for the year ended June 30, 2021, the two plans had the following balances reported in the government-wide financial statements:

	Total Pension Liability	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense/ (Negative Pension Expense)
TCRS (proportionate share)	\$ 33,311,930	\$ (3,829,201)	\$ 1,123,996	\$ 1,205,323	\$ (10,044)
SEPP	53,260,334	15,720,319	9,398,487	1,087,707	3,304,449
Total pension plans	<u>\$ 86,572,264</u>	<u>\$ 11,891,118</u>	<u>\$ 10,522,483</u>	<u>\$ 2,293,030</u>	<u>\$ 3,294,405</u>

Detailed disclosures for each plan follow:

**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS)**
General Information about the Pension Plan

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

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

9. RETIREMENT PLANS (Continued)

**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)**

General Information about the Pension Plan (Continued)

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 2<sup>nd</sup> 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.* The government’s eligible employees include those who are not eligible to participate in the SEPP plan (discussed later). At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	194
Active employees	<u>235</u>
	<u>488</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The government makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the actuarially determined contribution (ADC) for the City of Sevierville, Tennessee was \$19,877; however, the government contributed \$248,472 based on a rate of 2.0 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the government’s state shared taxes if required employer contributions are not remitted. The employer’s 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)

*Pension liabilities (assets).* The government’s net pension liability (asset) was measured as of June 30, 2020, 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, 2020 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

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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9. RETIREMENT PLANS (Continued)

**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)**

Net Pension Liability (Asset) (Continued)

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31.00%
Developed market international equity	5.29%	14.00%
Emerging market international equity	6.36%	4.00%
Private equity and strategic lending	5.79%	20.00%
U.S. fixed income	2.01%	20.00%
Real estate	4.32%	10.00%
Short-term securities	0.00%	<u>1.00%</u>
Total		<u>100.00%</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 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 government 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 SEVIERVILLE, TENNESSEE

Notes to the Financial Statements  
June 30, 2021

## 9. RETIREMENT PLANS (Continued)

**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)**Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning balance*	\$ 30,861,614	\$ 35,603,791	\$ (4,742,177)
Changes for the year:			
Service cost	890,542	-	890,542
Interest	2,265,956	-	2,265,956
Differences between expected and actual experience	289,009	-	289,009
Contributions - employer	-	226,484	(226,484)
Contributions - employees	-	566,213	(566,213)
Net investment income	-	1,760,447	(1,760,447)
Benefit payments, including refunds of employee contributions	(995,191)	(995,191)	-
Administrative expense	-	(20,613)	20,613
Net changes	<u>2,450,316</u>	<u>1,537,340</u>	<u>912,976</u>
Ending balance*	<u>\$ 33,311,930</u>	<u>\$ 37,141,131</u>	<u>\$ (3,829,201)</u>

\*The measurement date of the beginning balance was June 30, 2019 and the measurement date of the ending balance was June 30, 2020. The reporting date of the beginning balance is June 30, 2020 and the reporting date of the ending balance is June 30, 2021.

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of the government 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%)
Government's net pension liability (asset)	\$ 1,205,302	\$ (3,829,201)	\$ (7,927,792)

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

*Pension expense (negative pension expense).* For the year ended June 30, 2021, the government recognized pension expense (negative pension expense) of (\$10,044).

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

9. RETIREMENT PLANS (Continued)

**Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS) (Continued)**

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2021, the government 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>
Contributions subsequent to the measurement date	\$ 248,472	\$ -
Differences between expected and actual experience	247,722	1,205,323
Net difference between projected and actual earnings on pension plan investments	279,596	-
Changes in assumptions	<u>348,206</u>	<u>-</u>
Total	<u>\$ 1,123,996</u>	<u>\$ 1,205,323</u>

The amount shown above for “Contributions subsequent to the measurement date” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

**Year Ended June 30:**

2022	\$ (292,099)
2023	(87,814)
2024	10,963
2025	48,493
2026	(24,632)
Thereafter	15,290

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

Payable to the Pension Plan

At June 30, 2021, City of Sevierville reported a payable of \$31,374 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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9. RETIREMENT PLANS (Continued)

**Sevier County Electric System Employees' Pension Plan (SEPP)**

General Information about the Pension Plan

*Plan description.* The government's defined benefit pension plan, Sevier County Electric System Employees' Pension Plan (SEPP), a single-employer defined benefit pension plan, provides pensions for all eligible Electric Department Fund employees, including certain employees of the government who were formerly employed by the Electric Department Fund, who have completed three years of service and attained the age of 24½. The Electric Department Fund's board of directors establishes and amends all benefit provisions. SEPP issues a publicly available financial report that can be obtained upon request at the Electric Department Fund's office.

*Benefits provided.* SEPP provides retirement, disability and death benefits. Normal retirement benefits for all participants are calculated as the sum of: a) 3.00 percent of the participant's average compensation multiplied by years of service not in excess of twenty; and b) 1.0 percent of the participant's average compensation multiplied by years of service, not in excess of ten, credited after the later of attainment of full early retirement date or completion of twenty years of service. Normal retirement age is the later of the participant's 62<sup>nd</sup> birthday or the date credited with ten years of vesting service. Early retirement age is the date the participant has both attained age 52 and has been credited with at least ten years of vesting service. Any participant who has attained early retirement age may elect early retirement for a reduced benefit.

Benefit terms provide for annual cost-of-living adjustments to each participant's retirement allowance subsequent to the participant's retirement date. The annual adjustments are measured by the Consumer Price Index for the one year period ending on the preceding June 30. The percentage increase shall be limited to a maximum of 3 percent with regard to any such one-year period.

*Employees covered by benefit terms.* At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Active employees	118
Terminated vested and disabled participants	12
Retirees	<u>30</u>
Total	<u>160</u>

*Contributions.* The Electric Department Fund has the authority to establish and amend the contribution requirements of the Electric Department Fund, the government and active employees. The Electric Department Fund 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. The Electric Department Fund and the government are required to contribute the difference between the actuarially determined rate and the mandatory contribution rate of employees. For the year ended June 30, 2021, the mandatory employee contribution rate was 4%, the Electric Department Fund's average contribution rate was 28.20%, and the government's average contribution rate was 24.53%; however, the government made an additional contribution of \$1,000,000.

Net Pension Liability

The government's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements**  
**June 30, 2021**


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**9. RETIREMENT PLANS (Continued)**
**Sevier County Electric System Employees' Pension Plan (SEPP) (Continued)**
Net Pension Liability (Continued)

*Actuarial Assumptions.* The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual entry age normal, level percentage pay
Amortization method	Closed, level dollar amortization
Remaining amortization period	25 years as of July 1, 2019
Asset valuation method	Market value of plan assets adjusted to phase in asset gains
Discount rate	7.25 percent
Inflation	N/A
Salary increases	Varies by department and age
Cost of living increases	2.00 percent per annum
Investment rate of return	7.25 percent per annum
Retirement age	Full early retirement date or reduced early retirement, 100% at normal retirement date
Mortality	Pre-retirement: 2014 IRS mortality table, Post-retirement: TCRS mortality table

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

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>
US Equity - Large Cap	18.00%	5.93%
US Equity - Small/Mid Cap	22.00%	7.09%
Non-US Equity - Developed	12.00%	6.65%
Non-US Equity - Emerging	8.00%	8.84%
US Corporate Bonds - Core	21.00%	1.42%
Non-US Debt - Developed	5.00%	23.00%
US Treasuries (Cash Equivalents)	1.00%	-0.01%
Real Estate	8.00%	5.49%
Hedge Funds	5.00%	3.72%
Total	<u>100.00%</u>	

## CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements  
June 30, 2021

## 9. RETIREMENT PLANS (Continued)

**Sevier County Electric System Employees' Pension Plan (SEPP) (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 employee contributions will be made at the current contribution rate and that government contributions will be equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning balance*	\$ 49,862,303	\$ 35,144,616	\$ 14,717,687
Changes for the year:			
Service cost	1,311,414	-	1,311,414
Interest	3,614,085	-	3,614,085
Differences between expected and actual experience	1,307,555	-	1,307,555
Changes of assumptions	(139,324)	-	(139,324)
Contributions - employer	-	4,374,479	(4,374,479)
Contributions - employees	-	339,905	(339,905)
Net investment income	-	405,986	(405,986)
Benefit payments, including refunds of employee contributions	(2,695,699)	(2,695,699)	-
Administrative expense	-	(29,272)	29,272
Net changes	<u>3,398,031</u>	<u>2,395,399</u>	<u>1,002,632</u>
Ending balance*	<u>\$ 53,260,334</u>	<u>\$ 37,540,015</u>	<u>\$ 15,720,319</u>

\* The measurement date of the beginning balance was June 30, 2019 and the measurement date of the ending balance was June 30, 2020. The reporting date of the beginning balance is June 30, 2020 and the reporting date of the ending balance is June 30, 2021.

*Sensitivity of the net pension liability to changes in discount rate.* The following presents the net pension liability of the government, calculated using the discount rate of 7.25 percent, as well as what the government's 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	Current Discount Rate	1% Increase
Government's net pension liability	\$ 22,526,109	\$ 15,720,319	\$ 9,956,675

*Pension plan fiduciary net position.* Plan investments are reported at fair value. Additional detailed information about the pension plan's fiduciary net position is available in the separately issued SEPP financial report.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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9. RETIREMENT PLANS (Continued)

**Sevier County Electric System Employees' Pension Plan (SEPP) (Continued)**

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

For the year ended June 30, 2021, the government recognized pension expense of \$3,304,449. At June 30, 2021, the government 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>
Contributions subsequent to the measurement date	\$ 1,948,838	\$ -
Differences between expected and actual experience	5,976,011	370,822
Changes of assumptions	-	595,859
Net difference between projected and actual earnings on plan investments	1,352,612	-
Change in proportionate share	<u>121,026</u>	<u>121,026</u>
Total	<u>\$ 9,398,487</u>	<u>\$ 1,087,707</u>

Amounts reported as deferred outflows of resources (excluding pensions contributions made after the measurement date) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2022	\$ 848,447
2023	1,212,854
2024	1,470,239
2025	1,338,603
2026	746,788
Thereafter	745,010

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements  
June 30, 2021**


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**9. RETIREMENT PLANS (Continued)**
**Sevier County Electric System 401(k) Retirement Plan**

The Electric Department Fund contributes to the Sevier County Electric System 401(k) Retirement Plan (401(k) plan), a defined contribution plan, for its eligible employees. Employees become eligible to participate after having completed six months of service and attained the age of 21. The 401(k) plan is administered by the Electric Department Fund's board of directors.

Benefit terms, including contribution requirements, for the 401(k) plan are established and may be amended by the Electric Department Fund's board of directors. Employees are permitted to make contributions to the 401(k) plan, up to applicable Internal Revenue Code limits. For each employee in the 401(k) plan, the Electric Department Fund matches the first three percent of the employee's contributions. For the year ended June 30, 2021, employee contributions totaled \$489,384 and the Electric Department Fund recognized pension expense of \$245,372 related to the 401(k) plan.

Employees are immediately vested in their own contributions, Electric Department Fund contributions and earnings on those contributions.

**City of Sevierville Money Purchase Pension Plan**

Certain employees of the government are members of the City of Sevierville Money Purchase Pension Plan, a defined contribution plan. Members consist of employees who participated in the plan prior to the adoption of the TCRS plan on July 1, 1996, and have chosen not to participate in the TCRS plan (approximately 6 employees). Employees are eligible for normal retirement upon reaching the age of sixty-two or the completion of five years of service, whichever is later. The plan is administered by ERISA Services, Inc., a third party administrator. The Board of Mayor and Aldermen have authority for establishing or amending the Plan's provisions and contribution requirements. The employer is required to contribute 2.00% of covered payroll, and employees are not required to contribute. The employer contribution rate is the same for this plan as the government's required annual employer contribution rate for employees covered under the TCRS. Employees' interests fully vest after seven years of participation. Total contributions to the plan for the year ended June 30, 2021 was \$7,568 and was recognized as pension expense.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The government contributes to two defined benefit OPEB plans, (1) City of Sevierville Postemployment Benefit Plan, which is a single-employer defined benefit retiree health plan (SWS Plan), and (2) Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (SCES Plan), which is a single-employer public employee defined benefit plan established and administered by the Electric Department Fund. As of and for the year ended June 30, 2021, the two plans had the following balances reported in the government-wide financial statements:

	Total OPEB Liability	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
SWS Plan	\$ 994,100	\$ 994,100	\$ 206,600	\$ 109,600	\$ 77,200
SCES Plan	6,645,795	2,478,340	2,107,824	668,965	424,930
Total OPEB plans	<u>\$ 7,639,895</u>	<u>\$ 3,472,440</u>	<u>\$ 2,314,424</u>	<u>\$ 778,565</u>	<u>\$ 502,130</u>

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements  
June 30, 2021**


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**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

Detailed disclosures for each plan follow:

**City of Sevierville Postemployment Benefit Plan**
Plan Description

The government's defined benefit OPEB plan, City of Sevierville Postemployment Benefit Plan (SWS Plan), provides OPEB for certain employees of the government's Water and Sewer Department Fund who qualified for full early retirement under the Sevier County Electric System Employees' Pension Plan. SWS Plan is a single-employer defined benefit plan administered by the government. SWS Plan's provisions are established and may be amended by the Board of Mayor and Aldermen. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

SWS Plan provides medical, dental and prescription coverage benefits for retirees and their dependents. Benefits are provided by the government in which they pay up to the full premium, or the contribution cap of \$13,000 a year for family coverage and \$6,156 a year for single coverage.

Employees Covered by Benefit Terms

At July 1, 2019 (the valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	10
Active employees	<u>29</u>
Total	<u>39</u>

SWS Plan is closed to new entrants.

**Employer Contributions**

The funding policy of the government is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

**Employee Contributions**

None.

**Total OPEB Liability**

The government's total OPEB liability of \$994,100 was measured as of July 1, 2020 and was determined by an actuarial valuation as of that date.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

**City of Sevierville Postemployment Benefit Plan (Continued)**

**Total OPEB Liability (Continued)**

Actuarial Assumptions and Actuarial Methods

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

Discount rate	2.45 percent
Salary scale	2.50 percent
Healthcare cost trend rates	5.50 percent for fiscal year end 2021, then 5.00% thereafter
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, using two-dimensional improvement scale MP-2020.
Actuarial cost method	Entry Age Actuarial Cost Method.

The discount rate has been set equal to 2.45% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to July 1, 2020.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Beginning balance*	<u>\$ 1,041,200</u>
Changes for the year:	
Service cost	20,100
Interest	31,900
Differences between expected and actual experience	(46,200)
Benefit payments	(84,600)
Changes of assumptions	<u>31,700</u>
Net changes	<u>(47,100)</u>
Ending balance*	<u><u>\$ 994,100</u></u>

\*The measurement date of the beginning balance was June 30, 2019 and the measurement date of the ending balance was June 30, 2020. The reporting date of the beginning balance is June 30, 2020 and the reporting date of the ending balance is June 30, 2021.

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

**City of Sevierville Postemployment Benefit Plan (Continued)**

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

The following presents the total OPEB liability of the government as of the measurement date calculated using the discount rate, as well as what the government's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45 percent) or 1-percentage point higher (3.45 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Government's total OPEB liability	\$ 1,040,900	\$ 994,100	\$ 948,200

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the total OPEB liability of the government as of the measurement date calculated using the healthcare cost trend rates, as well as what the employer's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.50 percent decreasing to 4.00 percent) or 1-percentage point higher (6.50 percent decreasing to 6.00 percent):

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Government's total OPEB liability	\$ 955,700	\$ 994,100	\$ 1,038,000

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

For the year ended June 30, 2021, the government recognized OPEB expense of \$77,200. At June 30, 2021, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to the measurement date	\$ 90,400	\$ -
Differences between expected and actual experience	161,300	39,900
Changes of assumptions	<u>45,300</u>	<u>69,700</u>
	<u>\$ 297,000</u>	<u>\$ 109,600</u>

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

**Year ended June 30:**

2022	\$ 19,400
2023	19,400
2024	19,400
2025	19,400
2026	19,400
Thereafter	-

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

**Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan**

Plan Description

The Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (SCES Plan) is a single-employer public employee defined benefit plan established and administered by the Electric Department Fund. SCES Plan is used to provide postemployment benefits other than pensions for all permanent full-time employees of the Electric Department Fund.

Governance of SCES Plan is vested in the Electric Department Fund's Board of Directors, which consists of five members appointed by the government's Board of Mayor and Aldermen. Management of SCES Plan is vested with SCES Plan's Investment Committee. SCES Plan issues a publicly available financial report that can be obtained at the System's office.

Benefits Provided

SCES Plan provides medical, dental and vision benefits for retirees and disabled employees, including their spouse and dependents, until reaching Medicare eligibility. These benefits are provided through the Electric Department Fund's self-insured health plan and the full cost of benefits is covered by SCES Plan. SCES Plan also provides an optional Medicare supplement plan for eligible SCES Plan participants. These benefits are provided through the Electric Department Fund's self-insured health plan and SCES Plan covers all costs incurred except that the participant is responsible to pay 25% of the quoted cost of a Medicare supplement plan for the participant offered by a third-party insurer and 100% of the quoted cost of a Medicare supplement plan for the spouse offered by a third-party insurer. SCES Plan also provides life insurance benefits for retirees and disabled employees. This benefit is provided through a third-party insurer, and the full cost is covered by SCES Plan. SCES Plan's benefit terms are established and may be amended by the Electric Department Fund's Board of Directors.

Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	21
Active employees	<u>116</u>
Total	<u>137</u>

Contributions

The contribution requirements of the Electric Department Fund are established and may be amended by the Electric Department Fund's Board of Directors. SCES Plan is funded by employer contributions. The Electric Department Fund is currently funding actual benefits paid on a pay as you go basis. In addition, the Electric Department Fund occasionally makes discretionary contributions into the trust fund as cash flow permits. Although the contributions are being made into the trust, there is no requirement to do so. As a result, no actuarially determined contribution is calculated for the SCES Plan.

**CITY OF SEVIERVILLE, TENNESSEE**

**Notes to the Financial Statements  
June 30, 2021**

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

**Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)**

Net OPEB Liability

The Electric Department Fund's net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 percent
Investment rate of return	6.50 percent
Healthcare cost trend rates	Medical: 9.00 percent as of 2019, decreasing 1.00 percent per year to an ultimate rate of 5.00 percent for 2023 and later years Dental: 5.00 percent

Mortality rates were based on the RPH-2014 Total Dataset mortality table with mortality improvement projected by Scale MP-2019 on a generational basis.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial study for the period July 1, 2017 through July 1, 2019.

SCES Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US Equity - Large Cap	36.00%	5.86%
US Equity - Small/Mid Cap	24.00%	7.04%
US Corporate Bonds - Core	10.00%	1.24%
US Corporate Bonds - High Yield	7.00%	3.64%
US Treasuries (Cash Equivalents)	<u>23.00%</u>	-0.22%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB Plan liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that the Electric Department Fund would continue to pay benefits as they come due and to make discretionary contributions annually to the Trust. Based on those assumptions, SCES Plan's fiduciary net position was projected to be available to make all projected future benefit payment of current SCES Plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB Plan liability.

## CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements  
June 30, 202110. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)Change in the Net OPEB Liability

	Increase (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Beginning balance*	\$ 5,482,327	\$ 3,584,012	\$ 1,898,315
Changes for the year:			
Service cost	190,927	-	190,927
Interest	426,933	-	426,933
Differences between expected and actual experience	411,100	-	411,100
Changes in assumptions	522,420	-	522,420
Contributions - Employer	-	787,912	(787,912)
Net investment income	-	186,479	(186,479)
Benefit payments	(387,912)	(387,912)	-
Administrative expense	-	(3,036)	3,036
Net changes	<u>1,163,468</u>	<u>583,443</u>	<u>580,025</u>
Ending balance*	<u>\$ 6,645,795</u>	<u>\$ 4,167,455</u>	<u>\$ 2,478,340</u>

\*The measurement date of the beginning balance was June 30, 2019 and the measurement date of the ending balance was June 30, 2020. The reporting date of the beginning balance is June 30, 2020 and the reporting date of the ending balance is June 30, 2021.

Sensitivity of Net OPEB Liability Changes in the Discount Rate

The following presents the net OPEB liability of the Electric Department Fund calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Government's net OPEB liability	\$ 3,177,290	\$ 2,478,340	\$ 1,863,878

Sensitivity of Net OPEB Liability Changes in Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Electric Department Fund calculated using the stated healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7% decreasing to 4%) or 1-percentage-point higher (9% decreasing to 6%) than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Government's net OPEB liability	\$ 1,912,198	\$ 2,478,340	\$ 3,137,948

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

**Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)**

OPEB Plan Fiduciary Net Position

Plan investments are reported at fair value. Additional detailed information about SCES Plan's fiduciary net position is available in the separately issued SCES Plan financial report.

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

For the year ended June 30, 2021, the Electric Department Fund recognized OPEB Plan expense of \$424,930. At June 30, 2021, the Electric Department Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made subsequent to the measurement date	\$ 710,630	\$ -
Changes of assumptions	802,892	-
Differences between expected and actual experience	594,302	664,826
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>4,139</u>
Total	<u>\$ 2,107,824</u>	<u>\$ 668,965</u>

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

**Year ended June 30:**

2022	\$ 42,827
2023	54,793
2024	64,843
2025	72,710
2026	59,828
Thereafter	433,228

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Financial Statements  
June 30, 2021**


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**11. LITIGATION**

At June 30, 2021, several lawsuits are pending in which the City of Sevierville is involved. Government management and the government's legal counsel believe these suits will not result in any material unfavorable outcome to the government.

**12. SEVIERVILLE/SEVIER COUNTY JOINT VENTURE**

The government has entered a joint venture with Sevier County, Tennessee for the leasing, operation and management of a multi-use stadium facility and tourism welcome center located in Sevierville, Tennessee. The joint venture collects lease payments from the lessee for use of the stadium facility, parking lot and restaurant. The joint venture receives local and state sales tax collections pursuant to TCA 67-6-103(d) derived from the facility's events. The joint venture is responsible for the maintenance of the facility. The government has a 70% undivided interest in this joint venture.

For the year ended June 30, 2020, the joint venture's financial statements reflected net position totaling \$3,041,339 and a change in net position of \$(4,944). Complete audited financial statements of Sevierville/Sevier County Joint Venture for the year ended June 30, 2020 (latest available) can be obtained from:

Lynn McClurg, Chief Financial Officer  
City of Sevierville  
P.O. Box 5500  
Sevierville, TN 37864-5500

**13. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivable/payable balances at June 30, 2021 are as follows:

<u>Due From:</u>	<u>Due to:</u> <u>Insurance</u> <u>Fund</u>
Flexible spending fund	\$ 9,419
	<u>\$ 9,419</u>

**14. INTERFUND TRANSFERS**

Operating transfers for the year ended June 30, 2021 are as follows:

<u>Transfers out:</u>	<u>Transfers in:</u>				<u>Total</u>
	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Budget</u> <u>Fund</u>	<u>PBA Capital</u> <u>Budget</u> <u>Fund</u>	<u>Central</u> <u>Business</u> <u>Improvement</u> <u>District Fund</u>	
General Fund	\$ -	\$ 2,285,478	\$ 769,220	\$ 3,100,000	\$ 6,154,698
Insurance Fund	500,000	1,000,000	-	-	1,500,000
Water and Sewer Department Fund	174,456	-	-	-	174,456
Electric Department Fund	<u>1,941,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,941,450</u>
	<u>\$ 2,615,906</u>	<u>\$ 3,285,478</u>	<u>\$ 769,220</u>	<u>\$ 3,100,000</u>	<u>\$ 9,770,604</u>

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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14. INTERFUND TRANSFERS (Continued)

The purpose of the transfers from the General Fund to the Capital Budget Fund and PBA Capital Budget Fund was to fund capital outlay activity. The purpose of the transfer from the General Fund to the Central Business Improvement District was to fund debt service. The purpose of the transfers from the enterprise funds to the General Fund was for in-lieu-of tax payments. The purpose of the transfers from the Insurance fund to the General Fund and the Capital Budget Fund was to issue health insurance dividends to employees and to fund capital outlay, respectively.

15. RISK MANAGEMENT

The government 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 government purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the last three years.

16. DEFERRED TAP REVENUE

Certain real estate developers were allowed to purchase future tap installations in advance prior to fees being increased. This revenue has been deferred and will be recognized when the taps are set.

17. OTHER RELATED ENTITIES

The government provides an operating contribution to the Sevier Economic Development Council, Inc. to assist the entity with its coordinating activities of attracting businesses and industries to Sevier County. The government has minority board representation on the entity's Board of Directors but has no financial obligation other than its budgeted annual contribution.

The government participates in the Sevier Water Board, Inc. and has a minority representation on the entity's Board of Directors, however, the government's only financial obligation is direct debt reflected in the balance sheet of the government's Water Department.

The government participates in the Sevier Solid Waste, Inc. and has a minority representation on the entity's Board of Directors. The government has no financial obligation to this entity other than charges paid in connection with services provided.

The Parks and Recreation Foundation of Sevierville, Inc. (corporation) was formed on January 16, 2020. The Foundation is a legally separate, tax-exempt organization governed by a board of directors, who shall be duly qualified electors of the City of Sevierville. The corporation is dedicated to and operated exclusively for nonprofit purposes to seek federal, state, municipal, public, and private support to supplement the efforts of the Parks and Recreation Department of the government. In the event of dissolution, the residual assets of the corporation will be turned over to one or more exempt organizations under Section 501(c)(3) of the Internal Revenue Code for public purposes and/or to the City of Sevierville.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to the Financial Statements  
June 30, 2021**

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18. PASS-THROUGH GRANT LOAN RECEIVABLE AND RELATED DIRECT BORROWINGS

The Electric Department Fund has received proceeds from three pass-through loans in the aggregate \$4,000,000 from a federal grant program administered by the U.S. Department of Agriculture. The federal program is Rural Economic Development Loans and Grants. These loans bear no interest and the loan proceeds were passed through to two local business customers as notes receivable to assist with the renovation and expansion of their facility and to purchase equipment. The government bears no significant financial consequences in the event of default. The notes are receivable in monthly installments of \$9,259 - \$18,519 through November 2027, with no interest and are secured by letters of credit from local banks. Future maturities of the notes receivable are as follows:

<u>Fiscal Year</u>	<u>Receivable</u>
2022	\$ 444,444
2023	444,444
2024	444,444
2025	444,444
2026	416,667
2027-2028	<u>185,187</u>
	<u>\$ 2,379,630</u>

19. SUBSEQUENT EVENTS

In July 2021, the City paid \$4,844,223 for 34 acres of land intended to be used for a fire station.

In September 2021, the City entered into a settlement and release agreement with current and former employees to allow these current and former employees to receive health coverage under the City's Legacy health insurance plan and to reimburse certain former employees for varying percentages of forgone pay and premiums paid out of pocket after retirement. These payments amounted to \$172,452.

Management has evaluated subsequent events through December 22, 2021, the date the financial statements were available to be issued.

**Required Supplementary Information**

Required supplementary information included in this section is a required part of the basic financial statements. The purpose of presenting this supplementary information is to provide additional analysis of the government's financial position and results of operations.

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**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Changes in Government's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**
**Last 10 Measurement Periods Ended June 30\***

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 890,542	\$ 901,643	\$ 849,582	\$ 769,661	\$ 757,297	\$ 740,440	\$ 724,323
Interest	2,265,956	2,128,795	2,001,077	1,917,026	1,822,155	1,692,720	1,576,332
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	289,009	(207,989)	(319,359)	(734,616)	(761,827)	(220,996)	(315,755)
Change of assumptions	-	-	-	696,410	-	-	-
Benefit payments, including refunds of employee contributions	(995,191)	(843,771)	(799,691)	(575,690)	(554,379)	(452,062)	(446,307)
<b>Net change in total pension liability</b>	2,450,316	1,978,678	1,731,609	2,072,791	1,263,246	1,760,102	1,538,593
<b>Total pension liability - beginning</b>	30,861,614	28,882,936	27,151,327	25,078,536	23,815,290	22,055,188	20,516,595
<b>Total pension liability - ending (a)</b>	<u>\$ 33,311,930</u>	<u>\$ 30,861,614</u>	<u>\$ 28,882,936</u>	<u>\$ 27,151,327</u>	<u>\$ 25,078,536</u>	<u>\$ 23,815,290</u>	<u>\$ 22,055,188</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 226,484	\$ 383,584	\$ 762,094	\$ 877,726	\$ 859,168	\$ 865,145	\$ 835,857
Contributions - employee	566,213	547,979	544,353	507,007	489,836	493,240	472,237
Net investment income	1,760,447	2,464,998	2,516,166	3,020,585	668,506	728,032	3,239,861
Benefit payments, including refunds of employee contributions	(995,191)	(843,771)	(799,691)	(575,690)	(554,379)	(452,062)	(446,307)
Administrative expense	(20,613)	(20,494)	(22,297)	(19,421)	(16,236)	(11,083)	(8,632)
<b>Net change in plan fiduciary net position</b>	1,537,340	2,532,296	3,000,625	3,810,207	1,446,895	1,623,272	4,093,016
<b>Plan fiduciary net position - beginning</b>	35,603,791	33,071,495	30,070,870	26,260,663	24,813,768	23,190,496	19,097,480
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 37,141,131</u>	<u>\$ 35,603,791</u>	<u>\$ 33,071,495</u>	<u>\$ 30,070,870</u>	<u>\$ 26,260,663</u>	<u>\$ 24,813,768</u>	<u>\$ 23,190,496</u>
<b>Net pension liability (asset) - ending (a)-(b)</b>	<u>\$ (3,829,201)</u>	<u>\$ (4,742,177)</u>	<u>\$ (4,188,559)</u>	<u>\$ (2,919,543)</u>	<u>\$ (1,182,127)</u>	<u>\$ (998,478)</u>	<u>\$ (1,135,308)</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	111.49%	115.37%	114.50%	110.75%	104.71%	104.19%	105.15%
<b>Covered payroll</b>	\$ 11,324,225	\$ 10,959,554	\$ 10,887,049	\$ 10,123,708	\$ 9,796,670	\$ 9,864,814	\$ 9,444,718
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-33.81%	-43.27%	-38.47%	-28.84%	-12.07%	-10.12%	-12.02%

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

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Schedule of Government's Contributions Based on Participation  
in the Public Employee Pension Plan of TCRS**
**Last 10 Measurement Periods Ended June 30\***


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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 19,877	\$ 97,388	\$ 167,681	\$ 364,716	\$ 877,725	\$ 859,168	\$ 865,145	\$ 835,857
Contributions in relation to the actuarially determined contribution	<u>248,472</u>	<u>226,484</u>	<u>383,584</u>	<u>758,365</u>	<u>877,725</u>	<u>859,168</u>	<u>865,145</u>	<u>835,857</u>
Contribution deficiency (excess)	<u>\$ (228,595)</u>	<u>\$ (129,096)</u>	<u>\$ (215,903)</u>	<u>\$ (393,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,422,895	\$ 11,324,225	\$ 10,959,554	\$ 10,887,049	\$ 10,123,708	\$ 9,796,670	\$ 9,864,814	\$ 9,444,718
Contributions as a percentage of covered payroll	2.00%	2.00%	3.50%	6.97%	8.67%	8.77%	8.77%	8.85%

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

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

Schedule of Changes in Government's Net Pension Liability and Related Ratios  
Sevier County Electric System Employees' Pension Plan

Last 10 Measurement Periods Ended June 30\*

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 1,311,414	\$ 901,368	\$ 919,057	\$ 941,813	\$ 904,158	\$ 858,202	\$ 884,956
Interest	3,614,085	3,384,151	3,198,659	3,158,640	2,780,466	2,649,229	2,417,195
Changes in benefit terms	-	-	-	-	2,661,186	-	-
Differences between expected and actual experience	1,307,555	2,453,600	2,659,058	891,017	620,193	458,876	-
Change of assumptions	(139,324)	(250,588)	-	-	-	(858,673)	-
Benefit payments, including refunds of employee contributions	(2,695,699)	(1,663,669)	(6,814,925)	(2,139,840)	(1,789,196)	(1,031,984)	(1,099,953)
<b>Net change in total pension liability</b>	<b>3,398,031</b>	<b>4,824,862</b>	<b>(38,151)</b>	<b>2,851,630</b>	<b>5,176,807</b>	<b>2,075,650</b>	<b>2,202,198</b>
<b>Total pension liability - beginning</b>	<b>49,862,303</b>	<b>45,037,441</b>	<b>45,075,592</b>	<b>42,223,962</b>	<b>37,047,155</b>	<b>34,971,505</b>	<b>32,769,307</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 53,260,334</b>	<b>\$ 49,862,303</b>	<b>\$ 45,037,441</b>	<b>\$ 45,075,592</b>	<b>\$ 42,223,962</b>	<b>\$ 37,047,155</b>	<b>\$ 34,971,505</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 4,374,479	\$ 2,294,600	\$ 2,370,127	\$ 1,523,579	\$ 6,150,118	\$ 1,754,047	\$ 2,487,053
Contributions - employee	339,905	299,647	301,081	298,425	297,303	313,487	323,006
Net investment income	405,986	1,705,106	3,613,963	3,932,653	(288,996)	728,944	2,684,379
Benefit payments, including refunds of employee contributions	(2,695,699)	(1,663,669)	(6,814,925)	(2,139,840)	(1,789,196)	(1,031,984)	(1,099,953)
Administrative expense	(29,272)	(26,160)	(26,938)	(25,274)	(9,932)	(5,348)	(3,643)
<b>Net change in plan fiduciary net position</b>	<b>2,395,399</b>	<b>2,609,524</b>	<b>(556,692)</b>	<b>3,589,543</b>	<b>4,359,297</b>	<b>1,759,146</b>	<b>4,390,842</b>
<b>Plan fiduciary net position - beginning</b>	<b>35,144,616</b>	<b>32,535,092</b>	<b>33,091,784</b>	<b>29,502,240</b>	<b>25,142,943</b>	<b>23,383,797</b>	<b>18,992,955</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 37,540,015</b>	<b>\$ 35,144,616</b>	<b>\$ 32,535,092</b>	<b>\$ 33,091,783</b>	<b>\$ 29,502,240</b>	<b>\$ 25,142,943</b>	<b>\$ 23,383,797</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 15,720,319</b>	<b>\$ 14,717,687</b>	<b>\$ 12,502,349</b>	<b>\$ 11,983,809</b>	<b>\$ 12,721,722</b>	<b>\$ 11,904,212</b>	<b>\$ 11,587,708</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	70.48%	70.48%	72.24%	73.41%	69.87%	67.87%	66.87%
<b>Covered payroll</b>	\$ 8,497,588	\$ 7,491,157	\$ 7,441,733	\$ 7,460,616	\$ 7,432,581	\$ 7,679,555	\$ 7,619,836
<b>Net pension liability as a percentage of covered payroll</b>	185.00%	196.47%	168.00%	160.63%	171.16%	155.01%	152.07%

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

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Government's Contributions  
Sevier County Electric System Employees' Pension Plan**
**Last 10 Measurement Periods Ended June 30\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,385,552	\$ 2,443,144	\$ 1,794,906	\$ 1,531,507	\$ 1,523,579	\$ 1,658,792	\$ 1,754,045	\$ 1,982,165
Contributions in relation to the actuarially determined contribution	<u>3,380,441</u> **	<u>2,942,876</u> **	<u>2,294,600</u>	<u>2,370,127</u>	<u>1,523,579</u>	<u>6,150,118</u>	<u>1,754,047</u>	<u>2,487,053</u>
Contribution deficiency (excess)	<u>\$ (994,889)</u>	<u>\$ (499,732)</u>	<u>\$ (499,694)</u>	<u>\$ (838,620)</u>	<u>\$ -</u>	<u>\$ (4,491,326)</u>	<u>\$ (2)</u>	<u>\$ (504,888)</u>
Covered payroll	\$ 8,621,017	\$ 8,497,588	\$ 7,491,157	\$ 7,441,733	\$ 7,460,616	\$ 7,432,581	\$ 7,679,555	\$ 7,619,836
Contributions as a percentage of covered payroll	39.21%	34.63%	30.63%	31.85%	20.42%	82.75%	22.84%	32.64%

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

\*\* An advance of a fiscal year 2021 contribution in the amount of \$1,431,603 was made in fiscal year 2020. This amount is excluded from 2020 and included in 2021 columns in this schedule.

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Schedule of Investment Returns  
Sevier County Electric System Employees' Pension Plan**

**Last 10 Measurement Periods Ended June 30\***

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	32.08%	1.09%	5.00%	11.31%	13.37%	-0.17%	1.97%	17.24%

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

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Schedule of Changes in Government's Total OPEB Liability and Related Ratios  
 City of Sevierville Postemployment Benefit Plan**
**Last 10 Measurement Periods Ended June 30\***


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	2020	2019	2018	2017
<b>Total OPEB liability</b>				
Service cost	\$ 20,100	\$ 20,800	\$ 19,000	\$ 18,000
Interest	31,900	30,100	33,700	34,000
Differences between expected and actual experience	(46,200)	201,700	21,400	-
Changes of assumptions	31,700	24,500	(104,500)	-
Benefit payments	(84,600)	(91,700)	(80,800)	(61,000)
<b>Net change in total OPEB liability</b>	(47,100)	185,400	(111,200)	(9,000)
<b>Total OPEB liability - beginning</b>	1,041,200	855,800	967,000	976,000
<b>Total OPEB liability - ending</b>	<u>\$ 994,100</u>	<u>\$ 1,041,200</u>	<u>\$ 855,800</u>	<u>\$ 967,000</u>
<b>Covered-employee payroll</b>	\$ 1,492,700	\$ 1,492,700	\$ 1,627,000	\$ 1,627,000
<b>Net OPEB liability as a percentage of covered payroll</b>	66.60%	69.75%	52.60%	59.43%

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

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Changes in Government's Net OPEB Liability and Related Ratios  
Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan**
**Last 10 Measurement Periods Ended June 30\***

	2020	2019	2018	2017
<b>Total OPEB liability</b>				
Service cost	\$ 190,927	\$ 94,480	\$ 92,176	\$ 105,489
Interest	426,933	370,046	341,563	394,072
Differences between expected and actual experience	411,100	127,425	174,814	(1,108,046)
Change of assumptions	522,420	251,859	-	218,715
Benefit payments, including refunds of employee contributions	<u>(387,912)</u>	<u>(271,867)</u>	<u>(344,143)</u>	<u>(241,124)</u>
<b>Net change in total OPEB liability</b>	1,163,468	571,943	264,410	(630,894)
<b>Total OPEB liability - beginning</b>	<u>5,482,327</u>	<u>4,910,384</u>	<u>4,645,974</u>	<u>5,276,868</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 6,645,795</u>	<u>\$ 5,482,327</u>	<u>\$ 4,910,384</u>	<u>\$ 4,645,974</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 787,912	\$ 782,924	\$ 594,143	\$ 491,124
Net investment income	186,479	251,156	226,508	202,278
Benefit payments, including refunds of employee contributions	(387,912)	(271,867)	(344,143)	(241,124)
Administrative expense	<u>(3,036)</u>	<u>(2,613)</u>	<u>(2,100)</u>	<u>(1,711)</u>
<b>Net change in plan fiduciary net position</b>	583,443	759,600	474,408	450,567
<b>Plan fiduciary net position - beginning</b>	<u>3,584,012</u>	<u>2,824,412</u>	<u>2,350,004</u>	<u>1,899,437</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 4,167,455</u>	<u>\$ 3,584,012</u>	<u>\$ 2,824,412</u>	<u>\$ 2,350,004</u>
<b>Net OPEB liability - ending (a)-(b)</b>	<u>\$ 2,478,340</u>	<u>\$ 1,898,315</u>	<u>\$ 2,085,972</u>	<u>\$ 2,295,970</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	62.71%	65.37%	57.52%	50.58%
<b>Covered payroll</b>	\$ 9,799,666	\$ 9,231,145	\$ 8,766,256	\$ 9,711,165
<b>Net OPEB liability as a percentage of covered payroll</b>	25.29%	20.56%	23.80%	23.64%

\* 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 SEVIERVILLE, TENNESSEE**

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**Schedule of Investment Returns  
Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan**

**Last 10 Measurement Periods Ended June 30\***

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	27.76%	4.90%	7.58%	9.58%	9.21%

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

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to Required Supplementary Information**

**Last 10 Measurement Periods Ended June 30**

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**Notes to Schedule Of Changes in Government's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**

*Changes in assumptions.* In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment and mortality improvements.

**Notes to Schedule of Government's Contributions Based on Participation in the Public Employee Pension Plan of TCRS**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 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 averaging 4.00 percent
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

**Notes to Schedule Of Changes in Government's Net Pension Liability and Related Ratios - Sevier County Electric System Employees' Pension Plan**

*Changes in benefit terms.* As of July 1, 2015, the Normal Retirement Benefit Formula is calculated as 3.00% of Average Compensation times Years of Benefit Service up to 20 years, plus 1.00% of Average Compensation times Years of Benefit Service, not in excess of 10, following the later of attainment of Full Early Retirement Date or completion of 20 years of Benefit Service.

*Changes in assumptions.* As of July 1, 2014, the mortality table for post-retirement was changed from 2014 Static Mortality Table to TCRS Mortality Table. As of July 1, 2018, it is assumed that 60% of participants will elect the lump sum and that 40% will elect the Single Life Annuity. As of July 1, 2021, the mortality table for post-retirement was changed from TCRS Mortality Table to RP2014 Blue Collar Mortality Table, adjusted to 2006 with Scale MP-2019. The Disabled Mortality table for post-retirement was changed from TCRS Mortality Table to RP2014 Disability Mortality Table, adjusted to 2006 with Scale MP-2020.

**Notes to Schedule of Government's Contributions - Sevier County Electric System Employees' Pension Plan**

*Valuation date:* Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Individual entry age normal, level percentage of pay
Amortization method	Closed, level dollar amortization
Remaining amortization period	25 years as of July 1, 2019
Asset valuation	Market value of plan assets adjusted to phase in asset gains
Discount rate	7.25 percent
Inflation	N/A
Salary increases	Varies by department and age
Cost of living increases	2.00 percent
Retirement age	Full early retirement date or reduced early retirement, 100 percent normal retirement date
Mortality	Pre-Retirement: 2014 IRS Mortality Table, Post-Retirement: TCRS Mortality Table

**CITY OF SEVIERVILLE, TENNESSEE**

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**Notes to Required Supplementary Information (Continued)**

See independent auditor's report.

**Last 10 Measurement Periods Ended June 30**

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**Notes to Schedule of Changes in Government's Total OPEB Liability and Related Ratios - City of Sevierville Postemployment Benefit Plan**

*Changes in assumptions.* For measurement period ended June 30, 2018, the healthcare cost trend rate was changed from 6.50 percent to 6.81 percent and the discount rate was changed from 3.56 percent to 3.62 percent. For the measurement period ended June 30, 2019, the healthcare cost trend rate was changed from 6.81 percent to 5.50 percent and the discount rate was changed from 3.62 percent to 3.13 percent. For the measurement period ended June 30, 2020, the healthcare cost trend rate was changed from 5.50 percent to 0.00 percent and the discount rate was changed from 3.13 percent to 2.45 percent.

*Valuation date:* Actuarial valuation determining total OPEB liability is as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

There are no assets accumulated in a trust that meets the criteria of GASB Codification Section P52.139b.

**Notes to Schedule of Changes in Government's Net OPEB Liability and Related Ratios - Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan**

*Changes in assumptions.* For measurement period ended June 30, 2017, the healthcare cost trend rate was reset at 9.0 percent for 2017, grading down 1.00 percent per annum to an ultimate trend rate of 5.00 percent for years 2021 and later. For measurement period ended June 30, 2019, the discount rate was decreased to 7.00 percent. For the measurement period June 30, 2020, the discount rate was decreased to 6.50 percent.

*Valuation date:* Actuarial valuation determining total OPEB liability is as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

**Other Supplementary Information**

Other supplementary information included in this section is not a required part of the basic financial statements. The purpose of presenting this supplementary information is to provide additional analysis of the government's financial position and results of operations.

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**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS**

## Nonmajor Governmental Funds

### Special Revenue and Capital Projects Funds

**Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects.

**State Street Aid Fund** – established to account for legally restricted state shared funds received from the State of Tennessee to be expended for street improvements.

**Drug Enforcement Fund** – established to account for all expenditures made through the Drug Enforcement Fund. Revenues are from fines and costs from drug related cases.

**Capital Projects Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Capital Budget Fund** – established to account for all expenditures for the acquisition and construction of major assets of the government other than those financed by proprietary funds. The Capital Budget Fund is funded by transfers from the General Fund. Major projects include traffic signalization, street paving, equipment purchases and park improvements.

**PBA Capital Budget Fund** – was created to undertake responsibility to provide for construction, operation, and management of “qualified public use facilities” as determined by a government established Tourism Development Zone/Central Business District approved by the State of Tennessee.

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**CITY OF SEVIERVILLE, TENNESSEE**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Enforcement Fund	Total	Capital Budget Fund	PBA - Capital Budget Fund	Total	
<u>ASSETS</u>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,068,984	\$ 408,245	\$ 7,477,229	\$ 7,477,229
Other accounts receivable	-	-	-	200,000	-	200,000	200,000
Due from other governments	-	-	-	514,349	-	514,349	514,349
Prepayments	-	-	-	658,449	-	658,449	658,449
Restricted assets:							
Cash and cash equivalents	634,910	262,136	897,046	-	-	-	897,046
Other accounts receivable	-	3,844	3,844	-	-	-	3,844
Due from other governments	98,674	-	98,674	-	-	-	98,674
<b>Total assets</b>	<b>\$ 733,584</b>	<b>\$ 265,980</b>	<b>\$ 999,564</b>	<b>\$ 8,441,782</b>	<b>\$ 408,245</b>	<b>\$ 8,850,027</b>	<b>\$ 9,849,591</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 207,827	\$ -	\$ 207,827	\$ 424,200	\$ 408,245	\$ 832,445	\$ 1,040,272
Refundable advance	-	-	-	394,814	-	394,814	394,814
Funds held in trust	-	40,442	40,442	-	-	-	40,442
<b>Total liabilities</b>	<b>207,827</b>	<b>40,442</b>	<b>248,269</b>	<b>819,014</b>	<b>408,245</b>	<b>1,227,259</b>	<b>1,475,528</b>
Deferred inflows of resources:							
Unavailable revenue - grant revenue	-	3,565	3,565	270,669	-	270,669	274,234
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>3,565</b>	<b>3,565</b>	<b>270,669</b>	<b>-</b>	<b>270,669</b>	<b>274,234</b>
Fund balances:							
Nonspendable	-	-	-	658,449	-	658,449	658,449
Restricted	525,757	221,973	747,730	-	-	-	747,730
Assigned	-	-	-	6,693,650	-	6,693,650	6,693,650
<b>Total fund balances</b>	<b>525,757</b>	<b>221,973</b>	<b>747,730</b>	<b>7,352,099</b>	<b>-</b>	<b>7,352,099</b>	<b>8,099,829</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 733,584</b>	<b>\$ 265,980</b>	<b>\$ 999,564</b>	<b>\$ 8,441,782</b>	<b>\$ 408,245</b>	<b>\$ 8,850,027</b>	<b>\$ 9,849,591</b>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Actual  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2021**

	State Street Aid Fund	Drug Enforcement Fund	Total Special Revenue Funds	Capital Budget Fund	PBA - Capital Budget Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>							
Intergovernmental revenue	\$ 535,857	\$ -	\$ 535,857	\$ 2,247,503	\$ -	\$ 2,247,503	\$ 2,783,360
Fines, forfeits and penalties	-	92,740	92,740	-	-	-	92,740
Other revenues	5,187	13,689	18,876	507,184	1,147	508,331	527,207
<b>Total revenues</b>	<b>541,044</b>	<b>106,429</b>	<b>647,473</b>	<b>2,754,687</b>	<b>1,147</b>	<b>2,755,834</b>	<b>3,403,307</b>
<b>Expenditures:</b>							
Contractual services	-	-	-	7,410	81,334	88,744	88,744
Building materials	540,000	-	540,000	-	-	-	540,000
Grants, contributions and other	-	46,360	46,360	-	-	-	46,360
Capital outlay	-	89,609	89,609	5,026,158	1,966,024	6,992,182	7,081,791
<b>Total expenditures</b>	<b>540,000</b>	<b>135,969</b>	<b>675,969</b>	<b>5,033,568</b>	<b>2,047,358</b>	<b>7,080,926</b>	<b>7,756,895</b>
Revenues over (under) expenditures	1,044	(29,540)	(28,496)	(2,278,881)	(2,046,211)	(4,325,092)	(4,353,588)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	3,285,478	769,220	4,054,698	4,054,698
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,285,478</b>	<b>769,220</b>	<b>4,054,698</b>	<b>4,054,698</b>
Revenues and other financing sources over (under) expenditures and other financing uses	1,044	(29,540)	(28,496)	1,006,597	(1,276,991)	(270,394)	(298,890)
Fund balances, beginning	524,713	251,513	776,226	6,345,502	1,276,991	7,622,493	8,398,719
Fund balances, ending	\$ 525,757	\$ 221,973	\$ 747,730	\$ 7,352,099	\$ -	\$ 7,352,099	\$ 8,099,829

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**State Street Aid Fund**  
**For the Fiscal Year Ended June 30, 2021**


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	State Street Aid Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenue	\$ 475,000	\$ 475,000	\$ 535,857
Other revenues	-	-	5,187
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>541,044</u>
Expenditures:			
Building materials	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>
Total expenditures	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>
Revenues over (under) expenditures	(65,000)	(65,000)	1,044
Fund balances, beginning	<u>524,713</u>	<u>524,713</u>	<u>524,713</u>
Fund balances, ending	<u><u>\$ 459,713</u></u>	<u><u>\$ 459,713</u></u>	<u><u>\$ 525,757</u></u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Drug Fund  
For the Fiscal Year Ended June 30, 2021**


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	Drug Enforcement Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Fines, forfeits and penalties	\$ 40,000	\$ 40,000	\$ 92,740
Other revenues	10,000	10,000	13,689
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>106,429</u>
Expenditures:			
Contractual services	5,000	5,000	-
Supplies	5,000	5,000	-
Grants, contributions and other	60,000	60,000	46,360
Capital outlay	90,352	90,352	89,609
Total expenditures	<u>160,352</u>	<u>160,352</u>	<u>135,969</u>
Revenues over (under) expenditures	(110,352)	(110,352)	(29,540)
Fund balances, beginning	<u>251,513</u>	<u>251,513</u>	<u>251,513</u>
Fund balances, ending	<u><u>\$ 141,161</u></u>	<u><u>\$ 141,161</u></u>	<u><u>\$ 221,973</u></u>

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Capital Budget Fund For the Fiscal Year Ended June 30, 2021

	Capital Budget Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenue	\$ 4,909,131	\$ 4,909,131	\$ 2,247,503
Other revenues	23,000	23,000	507,184
Total revenues	<u>4,932,131</u>	<u>4,932,131</u>	<u>2,754,687</u>
Expenditures:			
Contractual services	-	-	7,410
Capital outlay	7,328,207	14,852,718	5,026,158
Total expenditures	<u>7,328,207</u>	<u>14,852,718</u>	<u>5,033,568</u>
Revenues over (under) expenditures	<u>(2,396,076)</u>	<u>(9,920,587)</u>	<u>(2,278,881)</u>
Other financing sources (uses):			
Transfers in	2,146,076	2,146,076	3,285,478
Total other financing sources (uses)	<u>2,146,076</u>	<u>2,146,076</u>	<u>3,285,478</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(250,000)	(7,774,511)	1,006,597
Fund balances, beginning	<u>6,345,502</u>	<u>6,345,502</u>	<u>6,345,502</u>
Fund balances, ending	<u>\$ 6,095,502</u>	<u>\$ (1,429,009)</u>	<u>\$ 7,352,099</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
PBA - Capital Budget Fund  
For the Fiscal Year Ended June 30, 2021**

	PBA - Capital Budget Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Other revenues	\$ -	\$ -	\$ 1,147
Total revenues	-	-	1,147
Expenditures:			
Contractual services	60,000	60,000	81,334
Capital outlay	2,727,000	2,727,000	1,966,024
Total expenditures	2,787,000	2,787,000	2,047,358
Revenues over (under) expenditures	(2,787,000)	(2,787,000)	(2,046,211)
Other financing sources (uses):			
Transfers in	1,317,702	1,317,702	769,220
Total other financing sources (uses)	1,317,702	1,317,702	769,220
Revenues and other financing sources over (under) expenditures and other financing uses	(1,469,298)	(1,469,298)	(1,276,991)
Fund balances, beginning	1,276,991	1,276,991	1,276,991
Fund balances, ending	<u>\$ (192,307)</u>	<u>\$ (192,307)</u>	<u>\$ -</u>

See independent auditor's report.

### Internal Service Funds

**Insurance Fund** – to account for the operation of a medical and dental self-insurance fund covering virtually all full-time employees of the government. The government operates under a self-insured retention and commercial insurance coverage purchases, with claims primarily administered by an outside agency.

**Flexible Spending Fund** – to account for the activity under the government's Flexible Spending Plan. The Plan provides coverage for medical, dental and daycare expense through salary reduction of participating employees.

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## CITY OF SEVIERVILLE, TENNESSEE

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### Combining Statement of Net Position Internal Service Funds June 30, 2021

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	Insurance Fund	Flexible Spending Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,289,713	\$ 164,915	\$ 4,454,628
Other receivables	150,377	-	150,377
Internal balances	9,419	(9,419)	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	4,449,509	155,496	4,605,005
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	5,276	-	5,276
Reserve for health insurance claims	182,993	-	182,993
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	188,269	-	188,269
<u>NET POSITION</u>			
Net position:			
Unrestricted	4,261,240	155,496	4,416,736
	<u>          </u>	<u>          </u>	<u>          </u>
Total net position	\$ 4,261,240	\$ 155,496	\$ 4,416,736
	<u>          </u>	<u>          </u>	<u>          </u>

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

### Combining Statement of Revenues, Expenses, and Change in Net Position Internal Service Funds For the Fiscal Year Ended June 30, 2021

	Insurance Fund	Flexible Spending Fund	Total
Operating revenues:			
Premiums	\$ 4,442,072	\$ -	\$ 4,442,072
Other revenues	-	100,172	100,172
Total operating revenues	<u>4,442,072</u>	<u>100,172</u>	<u>4,542,244</u>
Operating expenses:			
Operations:			
Insurance claims	3,016,652	-	3,016,652
Insurance premiums	498,928	-	498,928
Medical, dental and childcare payments	-	92,187	92,187
Total operations	<u>3,515,580</u>	<u>92,187</u>	<u>3,607,767</u>
Administration:			
Commissions	127,551	-	127,551
Administrative services	256,975	-	256,975
Total administration	<u>384,526</u>	<u>-</u>	<u>384,526</u>
Total operating expenses	<u>3,900,106</u>	<u>92,187</u>	<u>3,992,293</u>
Operating income	541,966	7,985	549,951
Non-operating revenues (expenses):			
Transfers (to) from other funds	<u>(1,500,000)</u>	<u>-</u>	<u>(1,500,000)</u>
Change in net position	(958,034)	7,985	(950,049)
Net position, beginning	<u>5,219,274</u>	<u>147,511</u>	<u>5,366,785</u>
Net position, ending	<u>\$ 4,261,240</u>	<u>\$ 155,496</u>	<u>\$ 4,416,736</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2021**

	Insurance Fund	Flexible Spending Fund	Total
Cash flows from operating activities:			
Cash received from employees, other participants and other funds	\$ 4,383,259	\$ 100,172	\$ 4,483,431
Cash payments to suppliers for goods and services	(905,897)	-	(905,897)
Cash payments to other funds	(1,500,000)	-	(1,500,000)
Cash payments for claims	(3,371,236)	(92,187)	(3,463,423)
Net cash provided (used) by operating activities	(1,393,874)	7,985	(1,385,889)
Cash flows from investing activities:			
Advance to (from) funds	2,260	(2,260)	-
Net cash provided (used) by investing activities	2,260	(2,260)	-
Net increase (decrease) in cash and cash equivalents	(1,391,614)	5,725	(1,385,889)
Cash and cash equivalents, beginning	5,681,327	159,190	5,840,517
Cash and cash equivalents, ending	\$ 4,289,713	\$ 164,915	\$ 4,454,628
Reconciliation of change in net position to net cash provided (used) by operating activities:			
Operating income	\$ 541,966	\$ 7,985	\$ 549,951
Transfers to other funds	(1,500,000)	-	-
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:			
Increase in other receivables	(58,813)	-	(58,813)
Decrease in accounts payable	(22,443)	-	(22,443)
Decrease in insurance claims reserve	(354,584)	-	(354,584)
Net cash provided (used) by operating activities	\$ (1,393,874)	\$ 7,985	\$ (1,385,889)

See independent auditor's report.

**Fiduciary Funds**  
**Pension and Other Employee Benefit Trust Funds**

The pension and other employee benefit trust funds account for the activities of the Sevier County Electric System Employees' Pension Plan and Sevier County Electric System Retiree Medical, Dental, and Life Insurance Plan Trust Fund, which accumulate resources for pension and other postemployment benefit payments to qualified beneficiaries.

**Sevier County Electric System Employees' Pension Plan Trust Fund** – to account for the resources accumulated for the Sevier County Electric System Employees' Pension Plan.

**Sevier County Electric System Retiree Medical, Dental, and Life Insurance Plan Trust Fund** – to account for the resources accumulated for the Sevier County Electric System Retiree Medical, Dental, and Life Insurance Plan's postemployment healthcare for employees of Sevier County Electric System.

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**CITY OF SEVIERVILLE, TENNESSEE**
**Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2021**

	Sevier County Electric System Employees' Pension Plan	Sevier County Electric System Retiree Medical, Dental, and Life Insurance Plan	Total
Additions to net position:			
Employer contributions	\$ 1,948,838	\$ 710,630	\$ 2,659,468
Employee contributions	349,841	-	349,841
Total contributions	<u>2,298,679</u>	<u>710,630</u>	<u>3,009,309</u>
Investment income:			
Interest and dividend income	507,522	72,370	579,892
Net increase in fair value of investments	<u>11,390,675</u>	<u>1,098,884</u>	<u>12,489,559</u>
Total investment income	<u>11,898,197</u>	<u>1,171,254</u>	<u>13,069,451</u>
Total additions	<u>14,196,876</u>	<u>1,881,884</u>	<u>16,078,760</u>
Deductions from net position:			
Benefits paid to participants	4,326,706	535,630	4,862,336
Custodial fees	<u>33,842</u>	<u>3,826</u>	<u>37,668</u>
Total deductions	<u>4,360,548</u>	<u>539,456</u>	<u>4,900,004</u>
Net increase in net position	9,836,328	1,342,428	11,178,756
Net position restricted:			
Beginning of the year	<u>37,540,015</u>	<u>4,167,455</u>	<u>41,707,470</u>
End of the year	<u>\$ 47,376,343</u>	<u>\$ 5,509,883</u>	<u>\$ 52,886,226</u>

See independent auditor's report.

**Central Business Improvement District Fund**

The **Central Business Improvement District Fund** is used to account for state and local option sales tax diverted to fund debt service related to tourist development zone activities. The fund is also used to account for tourist development zone related bond issuance, related expenses, and transfers of bond funds as capital contribution to PBA fund construction of “qualified public use facilities.”

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**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Central Business Improvement District Fund  
 For the Fiscal Year Ended June 30, 2021  
 (With Comparative Totals for the Fiscal Year Ended June 30, 2020)**

	2021		Actual	2020
	Budgeted Amounts			
	Original	Final		
Revenues:				
Local taxes:				
Local sales taxes	\$ 2,635,072	\$ 2,635,072	\$ 2,210,516	\$ 2,635,072
Total local sales taxes	<u>2,635,072</u>	<u>2,635,072</u>	<u>2,210,516</u>	<u>2,635,072</u>
Intergovernmental revenue:				
State of Tennessee:				
Sales tax	<u>5,132,665</u>	<u>5,132,665</u>	<u>5,351,744</u>	<u>5,132,665</u>
Total intergovernmental revenue	<u>5,132,665</u>	<u>5,132,665</u>	<u>5,351,744</u>	<u>5,132,665</u>
Other revenues:				
Interest earnings	<u>175,000</u>	<u>175,000</u>	<u>139,991</u>	<u>310,612</u>
Total other revenues	<u>175,000</u>	<u>175,000</u>	<u>139,991</u>	<u>310,612</u>
Total revenues	<u>7,942,737</u>	<u>7,942,737</u>	<u>7,702,251</u>	<u>8,078,349</u>
Expenditures:				
Debt administration:				
Principal	6,075,000	6,075,000	6,075,000	5,725,000
Interest	6,165,250	6,165,250	4,773,309	5,853,746
Debt service charges	<u>400,000</u>	<u>400,000</u>	<u>249,780</u>	<u>259,780</u>
Total debt administration	<u>12,640,250</u>	<u>12,640,250</u>	<u>11,098,089</u>	<u>11,838,526</u>
Total expenditures	<u>12,640,250</u>	<u>12,640,250</u>	<u>11,098,089</u>	<u>11,838,526</u>
Revenues over (under) expenditures	<u>(4,697,513)</u>	<u>(4,697,513)</u>	<u>(3,395,838)</u>	<u>(3,760,177)</u>
Other financing sources (uses):				
Transfer from general fund	<u>3,100,000</u>	<u>3,100,000</u>	<u>3,100,000</u>	<u>4,100,000</u>
Total other financing sources (uses)	<u>3,100,000</u>	<u>3,100,000</u>	<u>3,100,000</u>	<u>4,100,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,597,513)	(1,597,513)	(295,838)	339,823
Fund balance, beginning	<u>16,119,102</u>	<u>16,119,102</u>	<u>16,119,102</u>	<u>15,779,279</u>
Fund balance, ending	<u>\$ 14,521,589</u>	<u>\$ 14,521,589</u>	<u>\$ 15,823,264</u>	<u>\$ 16,119,102</u>

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2021**

Grantor Agency	Contract #	CFDA Number	Expenditures
<b>Federal Awards:</b>			
U.S. Department of Justice - 2020 Bulletproof Vest Partnership Program	N/A	16.607	\$ <u>4,818</u>
Public Safety Partnership and Community Policing Grants	2018AMWX0002	16.710	1,016
Public Safety Partnership and Community Policing Grants	2018HPWX0015	16.710	<u>6,940</u>
		Sub-total	<u>7,956</u>
Total U.S. Department of Justice			<u>12,774</u>
U.S. Department of Transportation - Highway Planning and Construction Cluster: Pass-through from Tennessee Department of Transportation -			
Congestion Mitigation and Air Quality Grant (Phase 1)	CM-7800(61)	20.205	683,803
Congestion Mitigation and Air Quality Grant (Phase 2)	CM-9123(8)	20.205	913,386
Parkway from SR71 to SR35 Rehabilitation	STP-M-9123(10)	20.205	23,243
SR338 Intersection Design	STP-M-338(9)	20.205	<u>20,251</u>
Total Highway Planning and Construction Cluster		Sub-total	<u>1,640,683</u>
Pass-through from Tennessee Department of Safety and Homeland Security -			
THS Grant - PACE 2020	Z-20-THS230	20.607	3,182
THS Grant - PACE 2021	Z-21-THS264	20.607	<u>20,762</u>
Total THS Grants		Sub-total	<u>23,944</u>
Total U.S. Department of Transportation			<u>1,664,627</u>
U.S. Department of Treasury - Coronavirus Relief Fund Pass-through from Tennessee Department of Finance and Administration			
COVID-19 - Assistance for State, Local, and Tribal Governments	N/A	21.019	<u>247,965</u>
Total U.S. Department of Treasury			<u>247,965</u>
U.S. Department of Homeland Security - Federal Emergency Management Agency - Pass-through from TEMA			
Disaster Grants:			
Severe Storms, Flooding, Landslides, and Mudslides (Electric Dept.)	DR-4427-TN	97.036	202,428
Severe Storms, Flooding, Landslides, and Mudslides (City)	DR-4427-TN	97.036	<u>456,550</u>
Total U.S. Department of Homeland Security			<u>658,978</u>
<b>Total Federal Awards</b>			<u>2,584,344</u>

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**


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**Schedule of Expenditures of Federal and State Awards (Continued)**  
**For the Fiscal Year Ended June 30, 2021**


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Grantor Agency	Contract #	CFDA Number	Expenditures
<b>State Awards:</b>			
Tennessee Department of Transportation - SR338 Intersection Design	STP-M-338(9)	N/A	\$ 5,063
Tennessee Department of Health - Child Passenger Safety Seat	N/A	N/A	<u>4,987</u>
<b>Total State Awards</b>			<u>10,050</u>
<b>Total Federal and State Awards</b>			<u>\$ 2,594,394</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Notes to the Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2021**


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Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes federal and state award activity of the government under programs of the federal and state governments for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the government.

Note B - Summary of Significant Accounting Policies

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

Note C - Outstanding Loans

The Electric Department Fund had the following loan funding balance and loan balances outstanding at June 30, 2021. The loan funding balances are also included in the federal expenditures presented in the Schedule.

Program Title	CFDA Number	FY2021 Loan Funding	Outstanding Balance
Rural Economic Development Loans and Grants*	10.854	\$ -	\$ 546,296
Rural Economic Development Loans and Grants**	10.854	-	712,952
Rural Economic Development Loans and Grants***	10.854	-	1,129,618
		\$ -	\$ 2,388,866

\* This loan funding was passed through as a loan from a subrecipient and the outstanding balance on this loan receivable at June 30, 2021 was \$537,037.

\*\* This loan funding was passed through as a loan from a subrecipient and the outstanding balance on this loan receivable at June 30, 2021 was \$694,445.

\*\*\* This loan funding was passed through as a loan from a subrecipient and the outstanding balance on this loan receivable at June 30, 2021 was \$1,148,148.

## CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Utility Plant  
 Water and Sewer Department Fund  
 June 30, 2021**

	Assets				Accumulated Depreciation				
	Balance	Additions	Retirements and	Balance	Balance	Expense	Retirements and	Balance	Net
	July 1, 2020		Reclassifications	June 30, 2021	July 1, 2020		Reclassifications	June 30, 2021	
Water treatment and disposal tanks	\$ 27,848,501	\$ 358,029	\$ -	\$ 28,206,530	\$ 10,480,116	\$ 954,632	\$ -	\$ 11,434,748	\$ 16,771,782
Wastewater treatment plant	16,626,034	-	-	16,626,034	10,095,817	473,777	-	10,569,594	6,056,440
Transmission and distribution lines	28,358,884	614,933	-	28,973,817	10,610,871	557,340	-	11,168,211	17,805,606
Collection lines	30,766,683	1,562,032	-	32,328,715	11,562,927	611,455	-	12,174,382	20,154,333
Water meters	2,681,416	2,149,256	(935,071)	3,895,601	777,531	174,635	(709,396)	242,770	3,652,831
Pump and lift stations	5,113,678	221,651	-	5,335,329	1,603,851	211,437	-	1,815,288	3,520,041
Transportation equipment	3,041,459	122,952	(290,876)	2,873,535	1,587,755	208,090	(289,876)	1,505,969	1,367,566
Machinery and equipment	3,742,768	342,415	(92,073)	3,993,110	2,486,766	212,379	(92,073)	2,607,072	1,386,038
Other capital assets	5,249,249	184,102	-	5,433,351	2,650,294	526,136	-	3,176,430	2,256,921
Sub-total	123,428,672	5,555,370	(1,318,020)	127,666,022	51,855,928	3,929,881	(1,091,345)	54,694,464	72,971,558
Land	445,426	-	-	445,426	-	-	-	-	445,426
Construction work in progress	1,831,633	(560,973)	-	1,270,660	-	-	-	-	1,270,660
Total	\$ 125,705,731	\$ 4,994,397	\$ (1,318,020)	\$ 129,382,108	\$ 51,855,928	\$ 3,929,881	\$ (1,091,345)	\$ 54,694,464	\$ 74,687,644

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Utility Plant  
 Electric Department Fund  
 June 30, 2021**

	Assets			Accumulated Depreciation					Net
	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Balance July 1, 2020	Current Year Depreciation	Retirements	Balance June 30, 2021	
Electric distribution system	\$ 230,081,294	\$ 10,055,999	\$ (1,887,458)	\$ 238,249,835	\$ 101,648,081	\$ 8,070,877	\$ (2,153,502)	\$ 107,565,456	\$ 130,684,379
Machinery and equipment	2,825,198	40,220	-	2,865,418	1,521,498	233,535	-	1,755,033	1,110,385
Transportation equipment	6,879,536	252,675	(77,559)	7,054,652	3,787,964	438,018	(49,059)	4,176,923	2,877,729
Office furniture and fixtures	1,880,295	16,805	-	1,897,100	1,537,367	43,051	-	1,580,418	316,682
Sub-total	241,666,323	10,365,699	(1,965,017)	250,067,005	108,494,910	8,785,481	(2,202,561)	115,077,830	134,989,175
Land and land rights	7,539,575	4,000	-	7,543,575	-	-	-	-	7,543,575
Construction work in progress	3,261,531	53,210	-	3,314,741	-	-	-	-	3,314,741
Total	\$ 252,467,429	\$ 10,422,909	\$ (1,965,017)	\$ 260,925,321	\$ 108,494,910	\$ 8,785,481	\$ (2,202,561)	\$ 115,077,830	\$ 145,847,491

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Long-Term Debt Principal and Interest Requirements  
Governmental Activities  
June 30, 2021**

Year Ending June 30,	\$16,215,000 Local Government Public Improvement Bonds Series VII-L-1 Variable (1)		\$2,300,000 Local Government Public Improvement Bonds Series VII-M-1 Variable (2)		\$5,680,000 General Obligation Bonds Series 2015 2.00% - 5.00%		\$24,500,000 Local Government Public Improvement Bonds Series 2009B Variable (3)		\$25,000,000 Local Government Public Improvement Bonds Series 2010A Variable (4)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ 1,760,000	\$ 328,783	\$ 100,000	\$ 8,377	\$ 125,000	\$ 162,619	\$ -	\$ 843,260	\$ -
2023	1,850,000	252,593	100,000	7,884	150,000	160,119	-	843,260	-	909,463
2024	1,945,000	172,508	100,000	7,392	175,000	157,119	-	843,260	-	909,463
2025	2,040,000	88,310	100,000	6,899	175,000	152,963	-	843,260	-	909,463
2026	-	-	100,000	6,406	1,180,000	145,963	-	843,260	-	909,463
2027	-	-	100,000	5,913	530,000	110,563	-	843,260	-	909,463
2028	-	-	100,000	5,421	570,000	94,663	-	843,260	-	909,463
2029	-	-	250,000	4,928	485,000	77,563	-	843,260	-	909,462
2030	-	-	250,000	3,696	535,000	58,163	-	843,260	-	909,462
2031	-	-	250,000	2,464	590,000	40,776	-	843,260	11,125,000	909,462
2032	-	-	250,000	1,232	640,000	21,600	-	843,260	12,175,000	477,855
2033	-	-	-	-	-	-	11,075,000	843,260	1,700,000	58,821
2034	-	-	-	-	-	-	13,425,000	462,280	-	-
	<u>\$ 7,595,000</u>	<u>\$ 842,194</u>	<u>\$ 1,700,000</u>	<u>\$ 60,612</u>	<u>\$ 5,155,000</u>	<u>\$ 1,182,111</u>	<u>\$ 24,500,000</u>	<u>\$ 10,581,400</u>	<u>\$ 25,000,000</u>	<u>\$ 9,631,303</u>

- (1) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for a portion of these bonds. The interest rate used for this calculation was 4.32893%, consisting of actual interest rate at June 30, 2021 of 0.49300%, plus 4.39500% (the fixed component of the interest rate swap agreement) less 0.559070% (63.1% CMS LIBOR 5-year rate at June 30, 2021).
- (2) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 0.49278%, the actual interest rate at June 30, 2021.
- (3) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for a portion of these bonds. The interest rate used for this calculation consists of two components: 1) interest on \$24,350,000 was 3.460043%, consisting of actual interest rate at June 30, 2021 of 0.492783%, plus 3.49% (the fixed component of the interest rate swap agreement) less 0.522740% (59% CMS LIBOR 5-year rate at June 30, 2021); and 2) interest on \$150,000 was 0.492783%.
- (4) Interest is payable at variable rates. The government has entered into two separate interest rate swap agreements for a portion of these bonds. The interest rate used for this calculation consists of three components: 1) interest on \$11,050,000 was 3.902603%, consisting of actual interest rate at June 30, 2021 of 0.492783%, plus 3.968% (the fixed component of the interest rate swap agreement) less 0.558180% (63% CMS LIBOR 5-year rate at June 30, 2021); 2) interest on \$13,800,000 was 3.460043%, consisting of actual interest rate at June 30, 2021 of 0.492783%, plus 3.49% (the fixed component of the swapped interest rate) less 0.522740% (59% CMS LIBOR 5-year rate at June 30, 2021); and 3) interest on \$150,000 was 0.492783%.

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Long-Term Debt Principal and Interest Requirements  
Governmental Activities (Continued)  
June 30, 2021**

Year Ending June 30,	\$26,100,000 Local Government Public Improvement Bonds Series 2010B Variable (5)		\$25,000,000 Local Government Public Improvement Bonds Series VII-N-1 Variable (6)		\$42,760,000 General Obligation Bonds Series 2018 3.00% - 5.00%		\$7,765,000 General Obligation Bonds Series 2020 2.00% - 5.00%		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ -	\$ 1,104,919	\$ 2,450,000	\$ 140,712	\$ 4,635,000	\$ 1,359,000	\$ 100,000	\$ 299,725	\$ 9,170,000
2023	-	1,104,919	2,550,000	122,227	4,860,000	1,127,250	100,000	294,725	9,610,000	4,822,440
2024	-	1,104,919	2,650,000	102,988	5,105,000	884,250	100,000	289,725	10,075,000	4,471,624
2025	-	1,104,919	2,850,000	82,994	5,270,000	629,000	100,000	284,725	10,535,000	4,102,533
2026	-	1,104,919	3,000,000	61,491	5,445,000	418,200	800,000	279,725	10,525,000	3,769,427
2027	-	1,104,919	3,150,000	38,856	5,575,000	254,850	1,350,000	239,725	10,705,000	3,507,549
2028	3,975,000	1,104,919	2,000,000	15,090	2,920,000	87,600	1,250,000	172,225	10,815,000	3,232,641
2029	10,525,000	937,641	-	-	-	-	1,065,000	109,725	12,325,000	2,882,579
2030	11,050,000	490,507	-	-	-	-	1,000,000	67,125	12,835,000	2,372,213
2031	550,000	20,942	-	-	-	-	900,000	37,125	13,415,000	1,854,029
2032	-	-	-	-	-	-	900,000	19,125	13,965,000	1,363,072
2033	-	-	-	-	-	-	-	-	12,775,000	902,081
2034	-	-	-	-	-	-	-	-	13,425,000	462,280
	<u>\$ 26,100,000</u>	<u>\$ 9,183,523</u>	<u>\$ 18,650,000</u>	<u>\$ 564,358</u>	<u>\$ 33,810,000</u>	<u>\$ 4,760,150</u>	<u>\$ 7,665,000</u>	<u>\$ 2,093,675</u>	<u>\$ 150,175,000</u>	<u>\$ 38,899,326</u>

- (5) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for a portion of these bonds. The interest rate used for this calculation consists of two components: 1) interest on \$25,800,000 was 4.2726%, consisting of actual interest rate at June 30, 2021 of 0.86278%, plus 3.968% (the fixed component of the interest rate swap agreement) less 0.55818% (63% CMS LIBOR 5-year rate at June 30, 2021); and 2) interest on \$300,000 was 0.86278%.
- (6) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 0.75449%, the actual interest rate at June 30, 2021.

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Long-Term Debt Principal and Interest Requirements**  
**Business-Type Activities**  
**June 30, 2021**

**WATER AND SEWER DEPARTMENT FUND**

Year Ending June 30,	\$8,000,000 Local Government Public Improvement Bonds Series VII-A-2 Variable (1)		\$5,000,000 General Obligation Bonds Series 2011 2.625% - 3.125%		\$8,525,000 Local Government Public Improvement Bonds Series VII-M-1 Variable (2)		\$11,225,000 General Obligation Bonds Series 2015 2.00% - 5.00%		Total Water and Sewer Department Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ -	\$ 377,097	\$ -	\$ 148,469	\$ 250,000	\$ 35,850	\$ 575,000	\$ 265,668	\$ 825,000
2023	-	377,097	-	148,469	250,000	34,618	600,000	254,169	850,000	814,353
2024	-	377,097	-	148,469	300,000	33,386	600,000	242,169	900,000	801,121
2025	-	377,097	550,000	148,469	500,000	31,908	625,000	227,919	1,675,000	785,393
2026	-	377,097	1,000,000	134,031	500,000	29,444	640,000	202,919	2,140,000	743,491
2027	-	377,097	1,050,000	104,031	500,000	26,980	650,000	183,719	2,200,000	691,827
2028	-	377,097	1,100,000	72,531	500,000	24,516	665,000	164,219	2,265,000	638,363
2029	500,000	377,097	700,000	39,531	500,000	22,052	690,000	144,269	2,390,000	582,949
2030	1,100,000	353,528	175,000	18,531	500,000	19,588	715,000	116,669	2,490,000	508,316
2031	1,150,000	301,677	200,000	13,281	500,000	17,124	735,000	93,433	2,585,000	425,515
2032	1,200,000	247,470	225,000	7,031	725,000	14,660	505,000	69,545	2,655,000	338,706
2033	1,250,000	190,905	-	-	750,000	11,088	500,000	52,500	2,500,000	254,493
2034	1,350,000	131,984	-	-	750,000	7,392	500,000	35,000	2,600,000	174,376
2035	1,450,000	68,348	-	-	750,000	3,693	500,000	17,500	2,700,000	89,541
	<u>\$ 8,000,000</u>	<u>\$ 4,310,688</u>	<u>\$ 5,000,000</u>	<u>\$ 982,843</u>	<u>\$ 7,275,000</u>	<u>\$ 312,299</u>	<u>\$ 8,500,000</u>	<u>\$ 2,069,698</u>	<u>\$ 28,775,000</u>	<u>\$ 7,675,528</u>

(1) Interest is payable at variable rates. The government has entered into an interest rate swap agreement for these bonds. The interest rate used for this calculation was 4.71371%, consisting of actual interest rate at June 30, 2021 of 0.862780%, plus 4.41% (the fixed component of the interest rate swap agreement) less 0.559070% (63.1% CMS LIBOR 5-year rate at June 30, 2021).

(2) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 0.492780%, the actual interest rate at June 30, 2021.

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Long-Term Debt Principal and Interest Requirements  
 Business-Type Activities (Continued)  
 June 30, 2021

ELECTRIC DEPARTMENT FUND

Year Ending June 30,	\$21,700,000 Local Government Public Improvement Revenue Bonds Series V-D-1 Variable (3)		USDA Rural Development Loan #REDL-1-1 (Swaggerty's)		USDA Rural Development Loan #REDL-1536 (Ka-Tom)		USDA Rural Development Loan #REDL-1-2 (Swaggerty's #2)		Total Electric Department Fund		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$ 1,600,000	\$ 189,392	\$ 111,111	\$ -	\$ 222,222	\$ -	\$ 111,111	\$ -	\$ 2,044,444	\$ 189,392	\$ 2,869,444
2023	1,685,000	122,636	111,111	-	222,222	-	111,111	-	2,129,444	122,636	2,979,444	936,989
2024	1,560,000	63,180	111,111	-	222,222	-	111,111	-	2,004,444	63,180	2,904,444	864,301
2025	-	7,501	111,111	-	222,222	-	111,111	-	444,444	7,501	2,119,444	792,894
2026	-	-	101,852	-	222,222	-	111,111	-	435,185	-	2,575,185	743,491
2027	-	-	-	-	18,508	-	111,111	-	129,619	-	2,329,619	691,827
2028	-	-	-	-	-	-	46,286	-	46,286	-	2,311,286	638,363
2029	-	-	-	-	-	-	-	-	-	-	2,390,000	582,949
2030	-	-	-	-	-	-	-	-	-	-	2,490,000	508,316
2031	-	-	-	-	-	-	-	-	-	-	2,585,000	425,515
2032	-	-	-	-	-	-	-	-	-	-	2,655,000	338,706
2033	-	-	-	-	-	-	-	-	-	-	2,500,000	254,493
2034	-	-	-	-	-	-	-	-	-	-	2,600,000	174,376
2035	-	-	-	-	-	-	-	-	-	-	2,700,000	89,541
	<u>\$ 4,845,000</u>	<u>\$ 382,709</u>	<u>\$ 546,296</u>	<u>\$ -</u>	<u>\$ 1,129,618</u>	<u>\$ -</u>	<u>\$ 712,952</u>	<u>\$ -</u>	<u>\$ 7,233,866</u>	<u>\$ 382,709</u>	<u>\$ 36,008,866</u>	<u>\$ 8,058,237</u>

(3) Interest is payable quarterly at a swapped fixed rate which may vary according to market fluctuations due to basis differentials between LIBOR and variable rates. An interest rate of 3.846% was used for this calculation.

## CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Changes in Long-Term Debt by Individual Issue**  
**Governmental Activities**  
**June 30, 2021**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
Bonds Payable:									
Local Government Public Improvement Bonds - Series VII-L-1	\$ 16,215,000	Varies	06/01/12	06/01/25	\$ 9,270,000	\$ -	\$ 1,675,000	\$ -	\$ 7,595,000
Local Government Public Improvement Bonds - Series VII-M-1	\$ 2,300,000	Varies	05/29/14	06/01/32	1,800,000	-	100,000	-	1,700,000
General Obligation Bonds, Series 2015	\$ 5,680,000	Varies	05/29/15	06/01/32	5,255,000	-	100,000	-	5,155,000
Local Government Public Improvement Bonds - Series 2009B	\$ 24,500,000	Varies	12/30/09	06/01/34	24,500,000	-	-	-	24,500,000
Local Government Public Improvement Bonds - Series 2010A	\$ 25,000,000	Varies	01/14/10	06/01/33	25,000,000	-	-	-	25,000,000
Local Government Public Improvement Bonds - Series 2010B	\$ 26,100,000	Varies	09/15/10	06/01/31	26,100,000	-	-	-	26,100,000
Local Government Public Improvement Bonds - Series VII-N-1	\$ 25,000,000	Varies	05/01/14	06/01/28	21,000,000	-	2,350,000	-	18,650,000
General Obligation Refunding Bonds, Series 2018	\$ 42,760,000	Varies	05/31/18	06/01/28	37,535,000	-	3,725,000	-	33,810,000
General Obligation Refunding Bonds, Series 2020	\$ 7,765,000	Varies	05/29/20	05/01/32	<u>7,765,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>7,665,000</u>
Total Bonds Payable - Governmental Activities					<u>\$ 158,225,000</u>	<u>\$ -</u>	<u>\$ 8,050,000</u>	<u>\$ -</u>	<u>\$ 150,175,000</u>

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Changes in Long-Term Debt by Individual Issue**  
**Business-Type Activities**  
**June 30, 2021**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
<b>Bonds Payable:</b>									
Local Government Public Improvement Bonds, Series VII-A-2	\$ 8,000,000	Varies	06/01/09	06/01/35	\$ 8,000,000	\$ -	\$ -	\$ -	\$ 8,000,000
Local Government Public Improvement Revenue Bonds - Series V-D-1	\$ 21,700,000	Varies	10/01/10	06/01/26	6,365,000	-	1,520,000	-	4,845,000
General Obligation Bond, Series 2011	\$ 5,000,000	Varies	11/15/11	06/01/32	5,000,000	-	-	-	5,000,000
Local Government Public Improvement Bonds, Series VII-M-1	\$ 8,525,000	Varies	05/29/14	06/01/35	7,525,000	-	250,000	-	7,275,000
General Obligation Bonds, Series 2015	\$ 11,225,000	Varies	05/29/15	06/01/35	<u>9,075,000</u>	<u>-</u>	<u>575,000</u>	<u>-</u>	<u>8,500,000</u>
Total Bonds Payable - Business-Type Activities					<u>\$ 35,965,000</u>	<u>\$ -</u>	<u>\$ 2,345,000</u>	<u>\$ -</u>	<u>\$ 33,620,000</u>
<b>Notes Payable:</b>									
United States Department of Agriculture	\$ 1,000,000	0.00%	06/01/16	05/31/26	\$ 657,407	\$ -	\$ 111,111	\$ -	\$ 546,296
United States Department of Agriculture	\$ 2,000,000	0.00%	08/08/16	08/15/26	1,351,846	-	222,228	-	1,129,618
United States Department of Agriculture	\$ 1,000,000	0.00%	11/16/17	11/16/27	<u>824,063</u>	<u>-</u>	<u>111,111</u>	<u>-</u>	<u>712,952</u>
Total Notes Payable - Business-Type Activities					<u>\$ 2,833,316</u>	<u>\$ -</u>	<u>\$ 444,450</u>	<u>\$ -</u>	<u>\$ 2,388,866</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Schedule of Utility Rates, Tap Fees and Number of Customers  
For the Fiscal Year Ended June 30, 2021**


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**Water Rates**

	<u>Inside</u>	<u>Outside</u>	
Connection charge	\$8.86	\$17.73	minimum
Usage charge	4.15	8.32	per thousand gallons
Additional connection charge**	30.00	60.00	per inch or portion of an inch

**Sewer Rates**

## Gravity system:

Connection charge	\$10.02	\$20.03	minimum
Usage charge	5.27	10.56	per thousand gallons
Additional connection charge**	30.00	60.00	per inch or portion of an inch

## Low pressure system:

Connection charge	\$12.02	\$24.04	minimum
Usage charge	6.32	12.67	per thousand gallons
Additional connection charge**	30.00	60.00	per inch or portion of an inch

**Tap Fees**

	<u>Inside City Limits*</u>		
	<u>Water</u>	<u>Sewer</u>	
5/8" tap – short side	\$ 750	\$1,200	
5/8" tap – long side	1,500	2,400	
1" tap and larger – short side	1,500	2,000	per inch
1" tap and larger – long side	3,000	4,000	per inch

**Number of Customers**

Water	12,302
Sewer	10,599

\*Tap fees for locations outside the city limits are 1½ times tap fees for locations inside the city limits. For additional add-on commercial and developer fees, please contact Sevierville Water Systems.

\*\*In addition to the above rates, the connection charges shall be increased for all meters 1" or larger.

(Continued)

## CITY OF SEVIERVILLE, TENNESSEE

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**Schedule of Utility Rates, Tap Fees and Number of Customers (Continued)**  
**For the Fiscal Year Ended June 30, 2021**


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**Electric Power Rates**RESIDENTIAL RATE – SCHEDULE RSBase Charges

Customer charge	\$18.40
Energy Charge per kWh	7.003¢
TVA Fuel Cost Adjustment	1.821¢

RESIDENTIAL RATE - SCHEDULE SRSBase Charges

Customer charge	\$20.00
Energy Charge per kWh	7.142¢
TVA Fuel Cost Adjustment	1.821¢

COMMERCIAL RATE – SCHEDULE GSABase Charges

1. Demand 0 to 50 kW for customer with or without contract demand:	
Customer Charge	\$21.00
Energy Charge 0 to 15,000 kWh per kWh	8.698¢
TVA Fuel Cost Adjustment	1.801¢
2. Demand 50 kW to 1,000 kW or demand less than 50 kW but kWh more than 15,000 kWh:	
Customer Charge	\$50.00
<u>Demand Charge in dollars per kW of demand:</u>	
First 50 kW of billing demand per month	No charge
Over 50 kW of billing demand per month	\$13.47
<u>Energy Charge per kWh:</u>	
First 15,000 kWh per month	8.747¢
TVA Fuel Cost Adjustment	1.801¢
Additional kWh per month	4.385¢
TVA Fuel Cost Adjustment	1.778¢

(Continued)

**CITY OF SEVIERVILLE, TENNESSEE**

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**Schedule of Utility Rates, Tap Fees and Number of Customers (Continued)  
For the Fiscal Year Ended June 30, 2021**

---

**Electric Power Rates (Continued)**

COMMERCIAL RATE – SCHEDULE GSA (Continued)

Base Charges (Continued)

3. Demand greater than 1,000 kW:

Customer Charge	\$200.00
-----------------	----------

Demand Charge in dollars per kW of demand:

First 1,000 kW of billing demand per month	\$13.91
--	---------

Next 1,500 kW of billing demand per month	\$15.02
---	---------

Over 2,500 kW of billing demand per month	\$15.42
---	---------

Plus an additional \$14.41 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.

Energy Charge per kWh	4.385¢
-----------------------	--------

TVA Fuel Cost Adjustment	1.778¢
--------------------------	--------

**Number of Customers**

Power	59,492
-------	--------

See independent auditor's report.

**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: **City of Sevierville Water and Sewer Dept. (0000617)**  
Reporting Year: **2021** 7/2020 - 6/2021

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

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

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

**WATER SUPPLIED**

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

Volume from own sources:	+ ?	10	1,872.249	MG/Yr
Water imported:	+ ?	n/a	0.000	MG/Yr
Water exported:	+ ?	8	34.006	MG/Yr
<b>WATER SUPPLIED:</b>			<b>1,803.152</b>	MG/Yr

**Master Meter and Supply Error Adjustments**

Pcnt:	Value:
+ ? 9 2.00%	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/> MG/Yr
+ ? 4 5.00%	<input type="radio"/> <input checked="" type="radio"/> <input type="radio"/> MG/Yr

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

**AUTHORIZED CONSUMPTION**

Billed metered:	+ ?	10	1,190.647	MG/Yr
Billed unmetered:	+ ?	n/a		MG/Yr
Unbilled metered:	+ ?	10	14.392	MG/Yr
Unbilled unmetered:	+ ?	8	12.141	MG/Yr
<b>AUTHORIZED CONSUMPTION:</b>			<b>1,217.180</b>	MG/Yr

Click here: ? for help using option buttons below

Pcnt:    Value:  MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt:  0.25%   Value:  MG/Yr

1.00%   MG/Yr

0.25%   MG/Yr

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

**585.972** MG/Yr

**Apparent Losses**

Unauthorized consumption: + ? **4.508** MG/Yr

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

Customer metering inaccuracies: + ? 7 **12.172** MG/Yr

Systematic data handling errors: + ? **2.977** MG/Yr

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

**Apparent Losses:** ? **19.657** MG/Yr

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

Real Losses = Water Losses - Apparent Losses: ? **566.315** MG/Yr

**WATER LOSSES:** **585.972** MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:** ? **612.505** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains: + ? 8 397.0 miles

Number of active AND inactive service connections: + ? 10 13,777

Service connection density: ? 35 conn./mile main

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

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

Average operating pressure: + ? 7 110.0 psi

**COST DATA**

Total annual cost of operating water system:	+ ?	10	\$7,526,876	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	8	\$7.72	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$1,558.92	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 90 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: Unauthorized consumption
  - 2: Systematic data handling errors
  - 3: Customer metering inaccuracies

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

WAS v5.0

American Water Works Association.

Water Audit Report for: **City of Sevierville Water and Sewer Dept. (0000617)**  
 Reporting Year: **2021** | **7/2020 - 6/2021**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	19.657	MG/Yr
+ Real Losses:	566.315	MG/Yr
= <b>Water Losses:</b>	<b>585.972</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): 169.21 MG/Yr

Annual cost of Apparent Losses: \$151,749

Annual cost of Real Losses: \$882,841

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: 34.0%  
 Non-revenue water as percent by cost of operating system: 14.3% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 3.91 gallons/connection/day  
 Real Losses per service connection per day: 112.62 gallons/connection/day  
 Real Losses per length of main per day\*: N/A  
 Real Losses per service connection per day per psi pressure: 1.02 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 566.31 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.35

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



**CITY OF SEVIERVILLE, TENNESSEE**


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**Balance Sheet  
Solid Waste Department Activity  
June 30, 2021**


---

ASSETS

Cash and cash equivalents	\$ 266,886
Receivables:	
Customers (net of allowance for doubtful accounts of \$41,155)	<u>94,952</u>
Total assets	<u>\$ 361,838</u>

LIABILITIES AND FUND EQUITIES

Liabilities:	
Accounts payable	\$ 57,865
Accrued liabilities	24,279
Customer deposits	<u>1,370</u>
Total liabilities	<u>83,514</u>
Fund equity:	
Assigned	<u>278,324</u>
Total fund equity	<u>278,324</u>
Total liabilities and fund equities	<u>\$ 361,838</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


---

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Solid Waste Department Activity  
For the Fiscal Year Ended June 30, 2021**


---

	Original Budget	Final Budget	Actual
Revenues:			
Licenses and permits	\$ 1,000	\$ 1,000	\$ 2,000
Charges for services	1,920,000	1,920,000	2,021,143
Other revenues	<u>2,500</u>	<u>2,500</u>	<u>4,013</u>
Total revenues	<u>1,923,500</u>	<u>1,923,500</u>	<u>2,027,156</u>
Expenditures:			
Personal services	698,334	703,105	712,347
Contractual services	771,095	771,095	707,502
Supplies	215,425	215,425	210,202
Bad debt expense	-	-	13,753
Capital outlay	<u>375,000</u>	<u>375,000</u>	<u>314,606</u>
Total expenditures	<u>2,059,854</u>	<u>2,064,625</u>	<u>1,958,410</u>
Revenues over (under) expenditures	<u>(136,354)</u>	<u>(141,125)</u>	<u>68,746</u>
Other financing sources (uses):			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(136,354)	(141,125)	68,746
Fund balance, beginning	<u>209,578</u>	<u>209,578</u>	<u>209,578</u>
Fund balance, ending	<u>\$ 73,224</u>	<u>\$ 68,453</u>	<u>\$ 278,324</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Balance Sheet  
Sevierville Golf Club Department Activity  
June 30, 2021**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,121,156
Receivables:	
Customers	51,381
Other	234,809
Materials and supplies inventory	<u>162,686</u>
Total assets	<u>\$ 1,570,032</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 31,856
Accrued liabilities	77,318
Due to other governments	593
Customer deposits	<u>33,104</u>
Total liabilities	<u>142,871</u>
Deferred inflows of resources:	
Deferred revenue	<u>234,809</u>
Total deferred inflows of resources	<u>234,809</u>
Fund equity:	
Nonspendable:	
Inventories	162,686
Assigned	<u>1,029,666</u>
Total fund equity	<u>1,192,352</u>
Total liabilities, deferred inflows of resources, and fund equities	<u>\$ 1,570,032</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:  
Sevierville Golf Club Department Activity  
For the Fiscal Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Charges for services	\$ 1,936,454	\$ 1,941,522	\$ 3,032,935
Other revenues	4,500	4,500	2,052
Total revenues	<u>1,940,954</u>	<u>1,946,022</u>	<u>3,034,987</u>
Expenditures:			
Personal services	1,272,624	1,277,692	1,263,941
Contractual services	433,381	433,381	410,691
Supplies	654,553	654,553	704,995
Fixed charges	58,981	58,981	81,310
Capital outlay	<u>32,000</u>	<u>32,000</u>	<u>4,925</u>
Total expenditures	<u>2,451,539</u>	<u>2,456,607</u>	<u>2,465,862</u>
Revenues over (under) expenditures	<u>(510,585)</u>	<u>(510,585)</u>	<u>569,125</u>
Other financing sources (uses):			
Transfers in	<u>510,585</u>	<u>510,585</u>	<u>510,585</u>
Total other financing sources (uses)	<u>510,585</u>	<u>510,585</u>	<u>510,585</u>
Net change in fund balance	-	-	1,079,710
Fund balance, beginning	<u>112,643</u>	<u>112,643</u>	<u>112,643</u>
Fund balance, ending	<u>\$ 112,643</u>	<u>\$ 112,643</u>	<u>\$ 1,192,353</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


---

**Balance Sheet  
Sevierville Convention Center Department Activity  
June 30, 2021**


---

<u>ASSETS</u>	
Cash and cash equivalents	\$ 828,721
Receivables:	
Customers	<u>68,922</u>
Total assets	<u>\$ 897,643</u>
<u>LIABILITIES AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 6,832
Accrued liabilities	34,550
Customer deposits	<u>174,195</u>
Total liabilities	<u>215,577</u>
Fund equity:	
Assigned	<u>682,066</u>
Total fund equity	<u>682,066</u>
Total liabilities and fund equities	<u>\$ 897,643</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


---

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Sevierville Convention Center Department Activity  
For the Fiscal Year Ended June 30, 2021**


---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Charges for services	<u>\$ 1,285,500</u>	<u>\$ 1,285,500</u>	<u>\$ 819,295</u>
Total revenues	<u>1,285,500</u>	<u>1,285,500</u>	<u>819,295</u>
Expenditures:			
Personal services	919,393	925,087	867,245
Contractual services	765,092	765,092	511,389
Supplies	44,492	44,492	32,344
Fixed charges	<u>83,506</u>	<u>83,506</u>	<u>78,378</u>
Total expenditures	<u>1,812,483</u>	<u>1,818,177</u>	<u>1,489,356</u>
Revenues over (under) expenditures	<u>(526,983)</u>	<u>(532,677)</u>	<u>(670,061)</u>
Other financing sources (uses):			
Transfers in	<u>500,000</u>	<u>505,694</u>	<u>500,000</u>
Total other financing sources (uses)	<u>500,000</u>	<u>505,694</u>	<u>500,000</u>
Net change in fund balance	(26,983)	(26,983)	(170,061)
Fund balance, beginning	<u>852,127</u>	<u>852,127</u>	<u>852,127</u>
Fund balance, ending	<u>\$ 825,144</u>	<u>\$ 825,144</u>	<u>\$ 682,066</u>

See independent auditor's report.

**Statistical Section**

This part of the government’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	125 - 130
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	131 - 134
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	
Debt Capacity	135 - 137
<i>These schedules present information to help the reader assess the affordability of the government’s current level of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	138 - 139
<i>These schedules present information to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	140 - 142
<i>These schedules contain service infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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**CITY OF SEVIERVILLE, TENNESSEE**
**Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
Net investment in capital assets	\$ 34,314,692	\$ 22,324,288	\$ 9,467,692	\$ 455,082	\$ (1,116,202)	\$ (5,225,997)	\$ (5,676,907)	\$ (9,830,370)	\$ 36,823,645	\$ 41,919,578
Restricted	9,649,828	21,400,396	20,488,076	15,639,518	19,266,798	16,960,413	8,980,119	6,997,266	4,670,528	4,449,355
Unrestricted	52,127,810	24,228,152	30,849,846	34,484,579	22,260,842	14,585,999	13,314,489	16,311,988	(135,379,071)	(143,718,002)
Total governmental activities net position	<u>96,092,330</u>	<u>67,952,836</u>	<u>60,805,614</u>	<u>50,579,179</u>	<u>40,411,438</u>	<u>26,320,415</u>	<u>16,617,701</u>	<u>13,478,884</u>	<u>(93,884,898)</u>	<u>(97,349,069)</u>
Business-type activities:										
Net investment in capital assets	186,713,852	181,641,448	174,530,139	170,399,167	167,835,494	160,259,669	156,543,979	152,410,713	151,675,286	151,337,895
Restricted	2,783,734	2,748,133	2,680,358	2,532,661	2,373,736	2,338,942	2,303,330	2,273,933	2,228,157	2,208,566
Unrestricted	23,679,585	18,451,699	20,876,286	18,259,070	16,920,926	24,139,671	19,789,435	28,853,693	25,815,398	23,024,977
Total business-type activities net position	<u>213,177,171</u>	<u>202,841,280</u>	<u>198,086,783</u>	<u>191,190,898</u>	<u>187,130,156</u>	<u>186,738,282</u>	<u>178,636,744</u>	<u>183,538,339</u>	<u>179,718,841</u>	<u>176,571,438</u>
Primary government:										
Net investment in capital assets	221,028,544	203,965,736	183,997,831	170,854,249	166,719,292	155,033,672	150,867,072	142,580,343	188,498,931	193,257,473
Restricted	12,433,562	24,148,529	23,168,434	18,172,179	21,640,534	19,299,355	11,283,449	9,271,199	6,898,685	6,657,921
Unrestricted	75,807,395	42,679,851	51,726,132	52,743,649	39,181,768	38,725,670	33,103,924	45,165,681	(109,563,673)	(120,693,025)
Total primary government net position	<u>\$309,269,501</u>	<u>\$270,794,116</u>	<u>\$ 258,892,397</u>	<u>\$ 241,770,077</u>	<u>\$ 227,541,594</u>	<u>\$ 213,058,697</u>	<u>\$ 195,254,445</u>	<u>\$ 197,017,223</u>	<u>\$ 85,833,943</u>	<u>\$ 79,222,369</u>

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Change in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 11,758,124	\$ 11,501,076	\$ 11,488,551	\$ 11,744,534	\$ 11,751,335	\$ 11,510,655	\$ 10,934,739	\$ 10,191,778	\$ 5,744,298	\$ 5,663,701
Public safety	11,702,425	11,668,656	10,810,544	10,336,045	10,168,246	10,397,838	9,907,103	9,313,909	8,358,140	8,340,104
Public works	6,911,413	6,506,852	5,861,516	6,879,966	5,603,553	5,371,047	5,042,884	6,130,079	6,203,632	6,314,456
Recreation	5,722,965	6,183,914	5,599,707	5,915,689	5,630,317	5,746,065	5,258,250	5,657,997	2,847,302	2,863,326
Contingency reserve	-	-	-	-	-	72,441	53,607	118,788	166,457	55,199
Community development	216,119	216,119	216,120	216,119	216,120	216,120	216,119	216,119	-	-
Interest	5,255,922	6,570,438	6,493,036	5,453,091	5,018,506	4,806,813	5,223,776	7,962,492	8,680,435	8,959,878
Debt administration	279,755	502,423	409,631	747,087	420,611	-	-	-	-	-
Capital outlays	-	-	-	-	-	422,092	-	-	746,761	1,409,743
Total governmental activities	<u>41,846,723</u>	<u>43,149,478</u>	<u>40,879,105</u>	<u>41,292,531</u>	<u>38,808,688</u>	<u>38,543,071</u>	<u>36,636,478</u>	<u>39,591,162</u>	<u>32,747,025</u>	<u>33,606,407</u>
Business-type activities:										
Water and sewer	14,286,480	13,273,408	12,090,836	12,057,367	12,575,886	11,074,858	11,419,850	11,712,680	11,556,009	11,673,086
Electric	152,163,668	148,330,953	151,615,158	149,074,486	150,284,674	142,274,380	146,330,416	147,185,482	142,556,411	134,907,359
Total business-type activities	<u>166,450,148</u>	<u>161,604,361</u>	<u>163,705,994</u>	<u>161,131,853</u>	<u>162,860,560</u>	<u>153,349,238</u>	<u>157,750,266</u>	<u>158,898,162</u>	<u>154,112,420</u>	<u>146,580,445</u>
<b>Total expenses</b>	<u>\$ 208,296,871</u>	<u>\$ 204,753,839</u>	<u>\$ 204,585,099</u>	<u>\$ 202,424,384</u>	<u>\$ 201,669,248</u>	<u>\$ 191,892,309</u>	<u>\$ 194,386,744</u>	<u>\$ 198,489,324</u>	<u>\$ 186,859,445</u>	<u>\$ 180,186,852</u>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,157,300	\$ 1,592,081	\$ 1,733,886	\$ 1,511,900	\$ 1,335,634	\$ 1,339,874	\$ 1,566,920	\$ 1,237,262	\$ 18,253	\$ 107,107
Public safety	351,309	384,831	315,381	368,127	346,797	465,316	592,493	492,703	515,571	505,257
Public works	2,725,427	2,564,289	2,543,027	2,165,649	2,068,062	1,982,170	1,147,143	1,107,267	1,063,926	1,436,696
Recreation	3,433,366	2,215,741	2,438,065	2,356,626	2,367,659	2,417,191	2,127,560	2,245,293	481,874	514,000
Operating grants and contributions	787,931	379,882	219,467	222,880	302,352	324,068	205,101	1,017,890	840,006	638,434
Capital grants and contributions	1,849,696	2,381,034	627,041	582,516	839,508	1,271	-	510,000	79,670	378,881
Total governmental activities	<u>10,305,029</u>	<u>9,517,858</u>	<u>7,876,867</u>	<u>7,207,698</u>	<u>7,260,012</u>	<u>6,529,890</u>	<u>5,639,217</u>	<u>6,610,415</u>	<u>2,999,300</u>	<u>3,580,375</u>
Business-type activities:										
Charges for services:										
Water and sewer	18,671,897	18,066,704	16,942,924	16,039,404	14,736,402	13,373,122	11,906,452	11,788,123	11,509,719	11,946,309
Electric	158,832,230	149,505,095	155,114,325	153,823,426	149,825,329	149,153,180	153,254,586	151,948,521	147,508,946	142,826,521
Capital grants and contributions	-	52,445	-	-	58,389	218,700	28,405	-	-	-
Total business-type activities	<u>177,504,127</u>	<u>167,624,244</u>	<u>172,057,249</u>	<u>169,862,830</u>	<u>164,620,120</u>	<u>162,745,002</u>	<u>165,189,443</u>	<u>163,736,644</u>	<u>159,018,665</u>	<u>154,772,830</u>
<b>Total program revenues</b>	<u>\$ 187,809,156</u>	<u>\$ 177,142,102</u>	<u>\$ 179,934,116</u>	<u>\$ 177,070,528</u>	<u>\$ 171,880,132</u>	<u>\$ 169,274,892</u>	<u>\$ 170,828,660</u>	<u>\$ 170,347,059</u>	<u>\$ 162,017,965</u>	<u>\$ 158,353,205</u>
<b>Net revenue (expense):</b>										
Governmental activities	\$ (31,541,694)	\$ (33,631,620)	\$ (33,002,238)	\$ (34,084,833)	\$ (31,548,676)	\$ (32,013,181)	\$ (30,997,261)	\$ (32,980,747)	\$ (29,747,725)	\$ (30,026,032)
Business-type activities	11,053,979	6,019,883	8,351,255	8,730,977	1,759,560	9,395,764	7,439,177	4,838,482	4,906,245	8,192,385
<b>Total net revenue (expense)</b>	<u>\$ (20,487,715)</u>	<u>\$ (27,611,737)</u>	<u>\$ (24,650,983)</u>	<u>\$ (25,353,856)</u>	<u>\$ (29,789,116)</u>	<u>\$ (22,617,417)</u>	<u>\$ (23,558,084)</u>	<u>\$ (28,142,265)</u>	<u>\$ (24,841,480)</u>	<u>\$ (21,833,647)</u>

(Continued)

## CITY OF SEVIERVILLE, TENNESSEE

**Change in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
General revenues:										
Sales taxes	\$ 34,418,027	\$ 26,490,712	\$ 27,422,992	\$ 26,995,358	\$ 26,693,223	\$ 25,457,909	\$ 24,062,184	\$ 23,341,677	\$ 22,397,631	\$ 20,516,632
Privilege taxes	9,158,581	6,555,558	7,027,715	5,882,567	5,665,617	5,367,790	4,917,054	4,400,304	1,853,546	1,233,248
Property taxes	4,241,433	4,154,989	3,951,704	3,977,089	3,895,594	2,381,098	2,385,143	2,295,448	2,303,049	2,262,550
Wholesale beer tax	1,855,997	1,579,639	1,604,212	1,564,628	1,575,914	1,376,907	1,274,946	1,237,159	1,286,449	1,221,871
Business taxes	1,674,382	1,416,696	1,344,741	1,304,115	1,368,603	1,253,641	1,134,235	1,073,237	1,142,652	1,022,341
Other taxes	999,120	986,085	1,024,625	927,982	813,845	964,007	1,115,583	1,224,229	926,581	820,096
Interest earned	360,510	716,131	730,767	181,081	47,304	51,626	13,262	14,418	25,872	71,949
Miscellaneous	331,174	267,248	311,270	140,112	304,217	150,773	150,550	169,570	155,515	110,319
Gain (loss) on investment derivatives	4,291,852	(3,530,332)	(2,278,442)	1,655,570	3,722,859	(3,484,911)	(1,210,110)	(484,271)	5,980,094	(8,633,692)
Gain (loss) on disposal of capital assets	234,206	22,158	23,300	5,756	-	239,156	(347,619)	66,415	(299,826)	50,720
Contributions:										
Capital contribution to component unit	-	-	-	-	-	-	-	-	(650,000)	(2,310,964)
Operating contribution to component unit	-	-	-	-	-	-	-	-	(892,300)	(881,974)
Capital contribution from component unit	-	-	-	-	-	-	-	-	-	15,778,551
Transfers	2,115,906	2,119,958	2,065,789	1,618,316	1,552,523	1,500,237	1,359,393	1,357,179	1,327,296	1,304,638
Other items:										
Grant to primary government from component unit	-	-	-	-	-	-	-	105,662,209	-	-
Total general revenues, contributions, transfers and other items	<u>59,681,188</u>	<u>40,778,842</u>	<u>43,228,673</u>	<u>44,252,574</u>	<u>45,639,699</u>	<u>35,258,233</u>	<u>34,854,621</u>	<u>140,357,574</u>	<u>35,556,559</u>	<u>32,566,285</u>
Business-type activities:										
General revenues:										
Interest earned	384,408	639,842	392,271	165,174	178,554	176,252	132,104	107,937	155,225	298,423
Gain (loss) on disposal of capital assets	-	(565)	2,505	-	-	-	3,117	151,413	(8,613)	-
Miscellaneous	1,013,410	215,295	215,643	26,439	6,283	29,759	37,414	78,845	38,697	6,221
Contributions:										
Capital contribution from component unit	-	-	-	-	-	-	-	-	-	1,410,770
Transfers	(2,115,906)	(2,119,958)	(2,065,789)	(1,618,316)	(1,552,523)	(1,500,237)	(1,359,393)	(1,357,179)	(1,327,296)	(1,304,638)
Total general revenues, contributions and transfers	<u>(718,088)</u>	<u>(1,265,386)</u>	<u>(1,455,370)</u>	<u>(1,426,703)</u>	<u>(1,367,686)</u>	<u>(1,294,226)</u>	<u>(1,186,758)</u>	<u>(1,018,984)</u>	<u>(1,141,987)</u>	<u>410,776</u>
Total primary government	<u>\$ 58,963,100</u>	<u>\$ 39,513,456</u>	<u>\$ 41,773,303</u>	<u>\$ 42,825,871</u>	<u>\$ 44,272,013</u>	<u>\$ 33,964,007</u>	<u>\$ 33,667,863</u>	<u>\$ 139,338,590</u>	<u>\$ 34,414,572</u>	<u>\$ 32,977,061</u>
Change in net position:										
Governmental activities	\$ 28,139,494	\$ 7,147,222	\$ 10,226,435	\$ 10,167,741	\$ 14,091,023	\$ 3,245,052	\$ 3,857,360	\$ 107,376,827	\$ 5,808,834	\$ 2,540,253
Business-type activities	10,335,891	4,754,497	6,895,885	7,304,274	391,874	8,101,538	6,252,419	3,819,498	3,764,258	8,603,161
Total change in net position	<u>\$ 38,475,385</u>	<u>\$ 11,901,719</u>	<u>\$ 17,122,320</u>	<u>\$ 17,472,015</u>	<u>\$ 14,482,897</u>	<u>\$ 11,346,590</u>	<u>\$ 10,109,779</u>	<u>\$ 111,196,325</u>	<u>\$ 9,573,092</u>	<u>\$ 11,143,414</u>

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund:										
Nonspendable	\$ 594,237	\$ 128,338	\$ 92,019	\$ 104,829	\$ 176,548	\$ 94,407	\$ 111,895	\$ 92,894	\$ -	\$ -
Assigned	6,093,887	4,084,101	1,829,145	1,713,505	1,106,223	825,205	509,909	206,802	360,351	328,133
Unassigned	23,548,954	15,832,237	19,980,639	19,950,991	17,372,864	15,251,121	13,488,037	12,274,002	11,193,463	10,860,577
<b>Total general fund</b>	<b>\$ 30,237,078</b>	<b>\$ 20,044,676</b>	<b>\$ 21,901,803</b>	<b>\$ 21,769,325</b>	<b>\$ 18,655,635</b>	<b>\$ 16,170,733</b>	<b>\$ 14,109,841</b>	<b>\$ 12,573,698</b>	<b>\$ 11,553,814</b>	<b>\$ 11,188,710</b>
All other governmental funds:										
Nonspendable	\$ 658,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,754,540	16,895,328	16,508,945	12,836,757	10,928,181	9,576,249	8,980,119	6,997,266	4,662,136	4,449,355
Committed	-	-	-	-	-	-	5,966,663	6,466,663	6,966,663	7,616,663
Assigned	17,510,104	7,622,493	9,466,366	10,142,257	10,822,191	10,787,152	2,175,801	1,718,009	1,669,753	2,012,563
<b>Total all other governmental funds</b>	<b>\$ 23,923,093</b>	<b>\$ 24,517,821</b>	<b>\$ 25,975,311</b>	<b>\$ 22,979,014</b>	<b>\$ 21,750,372</b>	<b>\$ 20,363,401</b>	<b>\$ 17,122,583</b>	<b>\$ 15,181,938</b>	<b>\$ 13,298,552</b>	<b>\$ 14,078,581</b>

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>REVENUES</b>										
Local taxes	\$ 41,594,039	\$ 34,278,723	\$ 35,463,280	\$ 33,081,798	\$ 32,547,352	\$ 29,681,242	\$ 27,839,267	\$ 24,028,421	\$ 20,992,110	\$ 20,097,120
Licenses and permits	303,375	484,622	297,436	189,947	175,562	186,482	172,375	155,993	98,256	143,010
Intergovernmental	11,125,687	9,821,103	8,980,491	9,010,841	7,764,323	7,067,810	7,784,659	10,722,346	9,975,950	8,470,393
Charges for services	6,331,068	5,177,854	5,779,146	5,234,429	5,098,244	5,100,681	4,292,437	4,372,202	1,419,123	1,429,895
Fines, forfeitures and penalties	331,278	334,346	267,782	323,888	273,691	368,526	439,623	393,505	423,765	387,290
Other revenue	929,963	1,015,349	1,097,696	330,285	451,523	175,938	163,813	286,043	276,798	365,995
<b>Total revenues</b>	<b>60,615,410</b>	<b>51,111,997</b>	<b>51,885,831</b>	<b>48,171,188</b>	<b>46,310,695</b>	<b>42,580,679</b>	<b>40,692,174</b>	<b>39,958,510</b>	<b>33,186,002</b>	<b>30,893,703</b>
<b>EXPENDITURES</b>										
Current:										
General government	10,658,772	10,466,134	10,485,646	11,103,662	10,516,610	10,163,750	9,852,011	9,037,238	5,718,972	5,660,003
Public safety	11,188,957	11,236,692	10,609,882	11,176,119	10,354,466	10,011,707	9,551,804	9,074,365	8,744,093	8,756,056
Public works	6,165,025	5,769,780	5,103,835	5,500,006	5,088,936	4,661,024	4,323,194	5,332,407	5,734,514	5,792,485
Culture and recreation	5,129,612	5,521,784	4,961,130	5,316,909	5,145,276	4,900,337	4,471,430	4,816,233	2,607,093	2,649,661
Contingency reserves	-	-	-	-	-	72,441	53,607	118,788	166,457	55,199
Debt administration:										
Principal	8,050,000	16,160,000	4,205,000	47,420,000	1,780,000	1,325,000	7,132,873	3,760,000	996,300	1,532,590
Interest	5,658,213	6,893,313	6,800,027	6,796,087	6,597,465	6,385,770	6,453,644	7,709,175	8,334,005	8,519,236
Debt service charges	279,755	293,974	409,631	415,718	420,231	422,092	570,068	448,742	537,437	617,678
Bond issuance costs	-	208,449	-	331,010	-	-	115,662	461,158	194,860	155,293
Capital outlay	7,503,308	8,864,895	8,278,600	3,081,095	4,207,378	1,443,043	1,814,269	1,491,378	547,052	1,477,978
<b>Total expenditures</b>	<b>54,633,642</b>	<b>65,415,021</b>	<b>50,853,751</b>	<b>91,140,606</b>	<b>44,110,362</b>	<b>39,385,164</b>	<b>44,338,562</b>	<b>42,249,484</b>	<b>33,580,783</b>	<b>35,216,179</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,981,768</b>	<b>(14,303,024)</b>	<b>1,032,080</b>	<b>(42,969,418)</b>	<b>2,200,333</b>	<b>3,195,515</b>	<b>(3,646,388)</b>	<b>(2,290,974)</b>	<b>(394,781)</b>	<b>(4,322,476)</b>

(Continued)

## CITY OF SEVIERVILLE, TENNESSEE

**Changes in Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 9,770,604	\$ 11,303,283	\$ 11,900,387	\$ 3,048,771	\$ 4,664,557	\$ 11,189,801	\$ 3,258,393	\$ 1,357,179	\$ 1,327,296	\$ 1,304,638
Transfers out	(6,154,698)	(9,183,325)	(9,834,598)	(1,430,455)	(3,112,034)	(9,689,564)	(1,899,000)	-	-	-
Operating and capital contributions to component unit	-	-	-	-	-	-	-	-	(1,542,300)	(3,192,938)
Capital contributions	-	-	-	-	-	-	-	-	-	10,500
Refunding bonds issued	-	-	-	42,760,000	-	-	5,680,000	72,605,000	9,160,000	17,275,000
Premium on refunding bonds issued	-	1,103,449	-	2,876,010	-	-	33,612	6,238,273	284,860	58,039
Proceeds from issuance of bonds	-	7,765,000	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	(75,000,000)	(9,250,000)	(17,177,746)
Proceeds from sale of capital assets	-	-	30,906	57,421	119,020	605,958	50,171	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,615,906</b>	<b>10,988,407</b>	<b>2,096,695</b>	<b>47,311,747</b>	<b>1,671,543</b>	<b>2,106,195</b>	<b>7,123,176</b>	<b>5,200,452</b>	<b>(20,144)</b>	<b>(1,722,507)</b>
<b>SPECIAL ITEMS</b>										
Grant from primary government to component unit	-	-	-	-	-	-	-	(147,904)	-	-
<b>Net change in fund balances</b>	<b>\$ 9,597,674</b>	<b>\$ (3,314,617)</b>	<b>\$ 3,128,775</b>	<b>\$ 4,342,329</b>	<b>\$ 3,871,876</b>	<b>\$ 5,301,710</b>	<b>\$ 3,476,788</b>	<b>\$ 2,761,574</b>	<b>\$ (414,925)</b>	<b>\$ (6,044,983)</b>
Debt service as a percentage of noncapital expenditures	29.09%	40.77%	25.85%	61.57%	20.99%	20.32%	31.95%	28.14%	28.24%	29.79%

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

Assessed Value and Estimated Actual Value of Taxable Property (1)  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Residential Property	Real Commercial Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Rate
2021	\$ 350,015,990	\$ 587,023,020	\$ 70,142,234	\$ 253,495	\$ 1,007,434,739	32.56%	\$ 3,093,726,044	\$ 0.497
2020	281,060,205	516,221,660	42,098,767	248,160	839,628,792	32.37%	2,593,979,745	0.497
2019	277,527,705	501,933,820	46,004,728	248,160	825,714,413	32.62%	2,531,027,335	0.497
2018	312,723,480	429,770,820	41,758,230	248,160	784,500,690	31.58%	2,484,317,680	0.497
2017	294,287,275	447,258,655	45,569,249	248,160	787,363,339	31.90%	2,468,073,333 (2)	0.497
2016	292,946,573	392,424,637	44,135,414	226,050	729,732,674	31.42%	2,322,227,972	0.497
2015	306,973,600	377,947,080	38,727,150	226,050	723,873,880	31.44%	2,302,255,849	0.310
2014	311,244,825	364,183,920	38,817,396	226,050	714,472,191	31.26%	2,285,241,230	0.310
2013	308,956,500	361,528,760	40,925,690	226,050	711,637,000	31.26%	2,276,477,744	0.310
2012	310,134,350	351,967,760	40,420,145	226,050	702,748,305	31.16%	2,255,601,069 (2)	0.310

(1) Overall assessment ratios and effective rates for 1973 and thereafter are weighted averages due to varying constitutional assessment ratios which became effective statewide January 1, 1973. Assessment ratios are Residential Property - Real at 25 percent; Commercial and Industrial Property - Real at 40 percent and Personal at 30 percent; Public Utilities - All Property both Real and Personal at 55 percent.

(2) All properties were reappraised in tax year 2011 (fiscal year 2012) and tax year 2016 (fiscal year 2017).

(3) The tax year is established on January 1 preceding the fiscal year.

Source: Finance Department

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

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Fiscal Year	Tax Year	Direct Rate	Overlapping Rate	Total
		City of Sevierville	Sevier County	Direct and Overlapping Rates
2021	2020	\$0.497	\$1.86	\$2.36
2020	2019	0.497	1.86	2.36
2019	2018	0.497	1.86	2.36
2018	2017	0.497	1.86	2.36
2017	2016	0.497	1.86	2.36
2016	2015	0.310	1.88	2.19
2015	2014	0.310	1.63	1.94
2014	2013	0.310	1.63	1.94
2013	2012	0.310	1.63	1.94
2012	2011	0.310	1.63	1.94

Source: Finance Department and Sevier County Property Assessor's Office

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Principal Property Taxpayers  
Current Year and Nine Years Ago**

Rank	Taxpayer	Tax year 2020		Tax year 2011			
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
1	Wyndham	\$ 65,388,821	1	7.79%	\$ 38,835,841	1	5.48%
2	Five Oaks Development Group	42,863,325	2	5.11%	34,569,451	2	4.88%
3	Wilderness Development	21,671,158	3	2.58%	26,354,447	3	3.72%
4	Charles Blalock & Sons	11,216,438	4	1.34%	-	N/A	
5	Miller Land Partnership	10,473,595	5	1.25%	7,717,925	6	1.09%
6	Ogle, Ronald & Betty	10,125,000	6	1.21%	6,560,440	8	0.93%
7	M & S Properties, LLC	9,974,385	7	1.19%	8,775,690	5	1.24%
8	Swaggerty Sausage Co.	8,202,175	8	0.98%	6,815,456	N/A	
9	B S & J Enterprises, L.P.	7,619,962	9	0.91%	6,942,969	7	0.98%
10	Yett Properties, LLC	6,191,470	10	0.74%	-	N/A	
	The Universe LLC				10,265,270	4	1.45%
	Mountain National Bank				5,998,466	9	0.85%
	Sevier County Bank				6,507,553	10	0.81%
		<u>\$ 193,726,329</u>		<u>23.10%</u>	<u>\$ 159,343,508</u>		<u>21.43%</u>

Source: City Finance Department

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Property Tax Levies and Collections  
Last Ten Fiscal Years**

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Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2021	\$ 4,158,452	\$ 4,074,097	97.97%	\$ -	\$ 4,074,097	97.97%
2020	4,130,285	4,022,246	97.38%	99,217	4,121,463	99.79%
2019	3,933,224	3,828,004	97.32%	103,267	3,931,271	99.95%
2018	3,946,385	3,852,251	97.61%	91,615	3,943,866	99.94%
2017	3,902,705	3,794,184	97.22%	106,428	3,900,612	99.95%
2016	2,290,235	2,203,856	96.23%	85,684	2,289,540	99.97%
2015	2,281,526	2,150,207	94.24%	130,442	2,280,649	99.96%
2014	2,239,645	2,109,346	94.18%	129,656	2,239,002	99.97%
2013	2,222,833	2,066,742	92.98%	155,236	2,221,978	99.96%
2012	2,223,879	2,066,742	92.93%	156,086	2,222,828	99.95%

Source: Finance Department

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**


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Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available for Debt Service (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Debt Per Capita (4)
2021	\$ 187,020,597	\$ 2,553,982	\$ 184,466,615	5.96%	**
2020	197,816,186	2,511,024	195,305,162	7.53%	**
2019	207,881,709	2,470,930	205,410,779	8.12%	\$ 12,000
2018	214,981,462	2,415,249	212,566,213	8.56%	12,859
2017	221,011,210	2,373,736	218,637,474	8.86%	13,080
2016	227,267,930	2,338,942	224,928,988	9.69%	13,497
2015	233,176,511	2,303,330	230,873,181	10.03%	14,001
2014	239,544,249	2,273,933	237,270,316	10.38%	14,508
2013	243,172,352	2,228,157	240,944,195	10.58%	15,049
2012	247,573,153	2,208,566	245,364,587	10.88%	15,715

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

Sources:

- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments.
- (3) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 131 for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 138.

\*\* Data not available

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2021**

<u>Jurisdiction</u>	<u>Net Direct Outstanding Debt</u>	<u>Percentage Applicable to Government</u>	<u>Direct and Overlapping Debt</u>
City of Sevierville	\$ 153,199,314	100.00%	\$ 153,199,314
Sevier County	<u>110,866,272</u>	16.90%	<u>18,736,400</u>
	<u><u>\$ 264,065,586</u></u>		<u><u>\$ 171,935,714</u></u>

Sources: Outstanding debt and applicable percentages provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the government. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the government. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds (1)	General Obligation Bonds	Notes Payable	Total Outstanding Debt	Percentage of Personal Income (2)	Population (3)	Debt Per Capita
	Governmental Activities	Business-Type Activities					
2021	\$ 153,199,314	\$ 33,821,283	\$ 2,388,866	\$ 189,409,463	**	**	**
2020	161,635,312	36,180,874	2,833,316	200,649,502	**	**	**
2019	169,441,244	38,440,465	3,314,804	211,196,513	54.56%	17,117	\$ 12,338
2018	173,953,235	41,028,227	3,703,699	218,685,161	58.50%	16,531	13,229
2017	177,080,221	43,930,989	2,990,741	224,001,951	61.53%	16,716	13,400
2016	180,439,180	46,828,750	1,000,000	228,267,930	60.15%	16,665	13,697
2015	183,343,138	49,833,373	-	233,176,511	66.00%	16,490	14,140
2014	186,677,997	52,866,252	-	239,544,249	73.00%	16,355	14,647
2013	187,251,307	55,921,045	-	243,172,352	75.84%	16,011	15,188
2012	188,438,614	59,134,539	-	247,573,153	75.84%	15,613	15,857

Sources: (1) Presented net of original issuance discounts and premiums.

(2) Personal income is disclosed on page 138.

(3) United States Census Bureau

\*\* Data not available

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**

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**Demographic and Economic Statistics  
Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Personal Income</u>	<u>Unemployment Rate (3)</u>
2021	**	**	**	**
2020	17,889	**	**	4.40%
2019	17,117	\$ 24,350	\$ 387,100,955	2.60%
2018	16,531	22,615	373,848,565	2.90%
2017	16,716	21,779	364,057,764	4.80%
2016	16,665	22,773	379,512,045	5.70%
2015	16,490	21,425	353,298,250	7.20%
2014	16,355	20,064	328,146,720	7.90%
2013	16,011	20,026	320,636,286	8.80%
2012	15,613	20,907	326,420,991	8.70%

Sources: (1) U.S. Census Bureau, estimates as of beginning of each fiscal year; Population variation due to actual census in April 2010, other reported numbers are estimates.

(2) U.S. Census Bureau, American Community 5-year Rolling Survey

(3) Tennessee Department of Labor and Workforce Development unemployment rate for the County (not seasonally adjusted).

\*\* Data not available

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**


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**Principal Employers  
Current Year and Nine Years Ago**


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Employer	2021			2012		
	Employees	Rank	Percentage of Total Gov't Employment	Employees	Rank	Percentage of Total Gov't Employment
Sevier County School System	2,572	1	**	**	**	**
Tanger Five Oaks Outlet	800	2	**	**	**	**
Charles Blalock & Sons	800	3	**	**	**	**
Collier Food Groups	720	4	**	**	**	**
Ole Smoky Moonshine	700	5	**	**	**	**
Sevier County	650	6	**	**	**	**
Wilderness of the Smokies	634	7	**	**	**	**
LeConte Medical Center	546	8	**	**	**	**
Wal-Mart	527	9	**	**	**	**
Bass Pro Shops	336	10	**	**	**	**
	<u>8,285</u>		<u>0.00%</u>	<u>**</u>		<u>0.00%</u>

Source: Sevier County Economic Development Council

Note: Companies listed may not be actual employer

\*\* Data not available

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Full-Time Employees by Function  
Last Ten Fiscal Years**

Function	Full-Time Equivalent Employees as of June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government	35	35	35	35	34	35	43	41	32	32
Public safety										
Police										
Officers	58	57	58	58	60	60	60	60	60	59
Civilians	18	18	16	16	14	14	14	14	14	14
Fire										
Firefighters and officers	49	43	37	38	38	34	35	33	33	33
Civilians	1	1	1	1	1	1				
Codes enforcement	4	4	5	5		10	6	7	7	7
Public works										
Streets/Traffic	22	21	22	22	15	12	17	14	17	17
City garage	7	7	7	7	7	7	7	8	8	8
Sanitation	11	11	11	11	11	11	11	11	11	11
Culture and recreation	23	22	22	23	23	31	33	39	26	25
Water/Sewer	44	49	49	49	49	48	48	47	48	48
Convention Center	10	10	10	10	10	10	10	10	0	0
Golf Course	9	10	10	8	8	7	8	12	0	0
Public Building Authority	0	0	0	0	0	0	0	0	26	26
<b>Total</b>	<b>291</b>	<b>288</b>	<b>283</b>	<b>283</b>	<b>270</b>	<b>280</b>	<b>292</b>	<b>296</b>	<b>282</b>	<b>280</b>

Sources: Various city departments budgeted employees

See independent auditor's report.

## CITY OF SEVIERVILLE, TENNESSEE

**Operating Indicators by Function  
Last Ten Years**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government:										
Building permits issued	381	478	256	216	240	230	187	206	184	231
Public safety:										
Number of police (regular employees)	68	73	74	74	74	74	74	74	74	73
Number of arrests	3,706	3,666	2,932	904	2,089	2,037	3,229	3,427	2,893	3,585
Number of traffic violations	4,224	3,767	4,618	5,375	5,935	7,791	8,390	7,722	6,834	7,112
Number of parking violations	0	0	0	2	2	0	17	2	2	12
Number of paid firefighters (regular employees)	49	43	37	33	35	35	35	34	33	33
Number of fire emergency responses	3,319	2,851	2,889	2,734	2,505	2,176	1,972	1,885	1,710	1,803
Number of fires extinguished	126	102	85	102	89	106	77	84	88	86
Number of fire inspections	1,117	1,210	1,004	974	343	852	590	906	432	265
Public works:										
Tons collected and disposed:										
Solid waste	14,648	13,230	13,056	12,093	11,479	11,545	10,958	10,693	10,912	10,221
Metal	**	**	**	5	17	16	11	9	18	**
Papers	**	**	**	**	**	**	**	**	82	**
Recyclable containers	171	197	456	403	410	498	436	70	98	49
Leaves (tonnage)	234	314	321	287	309	363	293	395	327	403
Number of shade trees:										
Planted - Parks and Recreation	150	50	50	68	52	72	60	50	56	49
Removed - Parks and Recreation	20	17	17	17	30	20	25	15	86	76
Trimmed - Parks and Recreation	300	325	325	390	475	350	600	500	462	798
Stumps removed - Parks and Recreation	15	34	34	13	25	5	10	**	5	4
Recreation and parks:										
Field permits issued	30	30	30	28	28	27	25	20	20	20
Recreation permits issued - memberships and shelter reservations	500	434	434	2767	9917	7512	5,202	6,800	6,221	758
Number of youth programs	6	6	6	6	7	7	5	4	4	3
Number of adult programs	7	7	7	7	6	6	6	4	4	4
Number for senior citizens programs	4	4	4	4	4	4	3	1	1	1
Water:										
Average daily distribution (gallons)	4,723,000	4,244,000	4,478,281	4,560,000	4,270,000	3,667,900	3,926,333	3,785,970	3,671,416	3,521,583
Number of metered accounts (water customers)	12,302	12,504	11,794	12,200	12,346	12,200	12,440	12,640	12,312	12,183
Number of fire lines	229	220	200	200	200	199	192	188	189	189

Sources: Various city departments

\*\* Data not available

See independent auditor's report.

**CITY OF SEVIERVILLE, TENNESSEE**
**Capital Asset Statistics by Function  
Last Ten Fiscal Years**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Number of police stations (station and substations)	2	2	2	2	2	2	2	2	2	2
Number of fire stations (stations and substations)	2	2	2	2	2	2	2	2	2	2
Parking Department:										
Number of parking garages	1	1	1	1	1	1	1	1	1	1
Public Works:										
Number of public works buildings	6	6	6	6	6	5	4	4	4	4
Miles of streets (approximate)	266	260	266	260	260	202	202	202	202	201
Miles of sanitary sewers (sewer mains) (2)	246	244	244	301	301	299	299	299	296	255
Miles of storm water drains (approximate)	14	14	14	15	15	15	15	15	15	15
Recreation and Parks:										
Number of parks and recreation facilities	25	25	25	25	25	25	22	22	20	20
Acres of parks/areas maintained	163	163	163	150	150	150	130	130	123	123
Water:										
Miles of water mains (1)	322	385	319	303	324	379	375	375	374	314
Number of fire hydrants (inside)	1,101	1,086	1,085	1,088	1,152	1,162	1,175	1,175	1,153	990

Source: Various city departments

(1) - 2017 adjusted due to GIS mapping system

(2) - 2019 adjusted due to GIS mapping system

See independent auditor's report.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

Board of Mayor and Aldermen  
City of Sevierville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sevierville, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Sevierville, Tennessee's basic financial statements, and have issued our report thereon dated December 22, 2021.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 the City of Sevierville, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

*Brown Jake & McDaniel, PC*

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee  
December 22, 2021

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

Board of Mayor and Aldermen  
City of Sevierville, Tennessee

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

We have audited the City of Sevierville, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Sevierville, Tennessee's major federal programs for the year ended June 30, 2021. The City of Sevierville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the City of Sevierville, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

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

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

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

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

Brown Jake & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee  
December 22, 2021

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

ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF AUDITOR'S RESULTS

A. An unmodified opinion was issued on the basic financial statements of the City of Sevierville, Tennessee for the year ended June 30, 2021.

B. Internal control over financial reporting:

Material weakness(es) identified?    \_\_\_ yes     X  no

Significant deficiency(ies) identified  
that are not considered to be  
material weakness(es)?                    \_\_\_ yes     X  none reported

C. Our audit disclosed no instances of noncompliance considered by us to be material to the financial statements.

D. Internal control over major programs:

Material weakness(es) identified?    \_\_\_ yes     X  no

Significant deficiency(ies)) identified  
that are not considered to be  
material weakness(es)?                    \_\_\_ yes     X  none reported

E. An unmodified opinion was issued on compliance for the City of Sevierville, Tennessee's major programs.

F. The audit disclosed no audit findings relating to major programs required to be reported under 2 CFR Section 200.516(a).

G. We identified the following major federal assistance programs:

Assistance Listing Number 20.205 – U.S. Department of Transportation – Highway Planning and Construction – Pass-through from Tennessee Department of Transportation

Assistance Listing Number 21.019 – COVID-19 - U.S. Department of the Treasury – Coronavirus Relief Fund – Pass-through from Tennessee Department of Finance and Administration

H. The threshold for distinguishing between Type A and Type B programs was \$750,000.

I. The auditee was not determined to be a low-risk auditee.

II. SUMMARY OF FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED BY *GOVERNMENT AUDITING STANDARDS*

None

III. SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CITY OF SEVIERVILLE, TENNESSEE  
Summary Schedule of Prior Audit Findings  
June 30, 2021

There were no prior year findings.