

CITY OF SEVIERVILLE, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2022

Prepared by:
Finance Department

CITY OF SEVIERVILLE, TENNESSEE

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022

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INTRODUCTORY SECTION



December 21, 2022

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, 2022.

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, 2022. 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 18,000. 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. It had no financial activities in fiscal year 2022.

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 10.2 percent (2011) to an average annual rate of 3.9 percent (2021). Sevier County's unemployment rate as of June 2022 was 3.3 percent compared to 3.6 percent nationally and 3.3 percent for the state of Tennessee. The unemployment rate during the current year reflects the post COVID-19 pandemic recovery.

The US Census Bureau 2021 data estimates Sevier County's median family income at \$54,363; average household size at 2.63; and median population age at 43.5. The median price of a single-family home in the vicinity of the government was \$203,200.

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 third fire station opened in 2022. Construction of a wastewater treatment plant expansion began in late 2022.

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 70.4 percent of fiscal year 2022 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 \$3,931,313 during the year ended June 30, 2022, largely due to conservative budgeting, an ARPA grant 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 plan for the construction of public safety facilities on recently acquired land, fund roadway engineering, and 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 2023 Capital Improvement Program anticipates \$38,046,477 in general government expenditures, \$675,000 in the Solid Waste fund and \$6,652,500 in the water and sewer fund. Included in these appropriations are \$20,536,177 for parks and recreation facilities, \$6,802,501 in road improvements, \$3,608,329 for traffic control systems and \$2,801,395 in public safety equipment and projects. Additionally, the \$75,000,000 sewer treatment plant expansion began construction in late 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

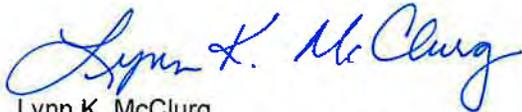
The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration departments. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also 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, 2021. This was the ninth 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

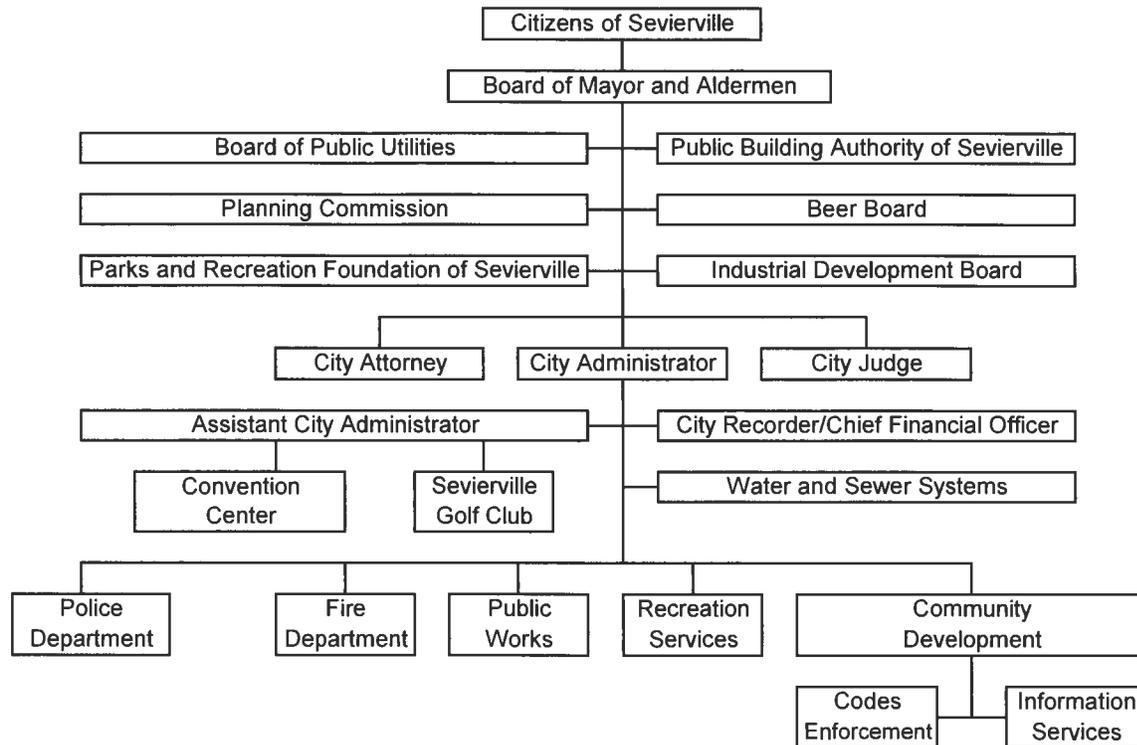
June 30, 2021

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, 2022



Board of Mayor and Aldermen (Elected)

Mayor - Robert Fox
 Vice-Mayor - Mitch Rader
 Alderman - Wayne Helton

Alderman - Travis McCroskey
 Alderman - Joey Ohman
 Alderman - Devin Koester

City Officials (Appointed)

City Administrator
 Assistant City Administrator
 City Recorder/Chief Financial Officer
 City Judge
 City Attorney
 Development Director
 Director of Information Systems
 Police Chief
 Fire Chief
 Public Works Director
 Parks and Recreation Director
 Water and Sewer Systems Director
 Electric System General Manager

Russell Treadway
 Tracy Baker
 Lynn McClurg (financial oversight responsibility)
 Jeffrey Murrell
 Edward Owens
 Dustin Smith
 Dustin Smith
 Joseph Manning
 Matt Henderson
 Bryon Fortner
 Bob Parker
 Keith Malone
 Allen Robbins

FINANCIAL SECTION

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Independent Auditor's Report

Mayor and Board of Alderman
 City of Sevierville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sevierville, Tennessee, as of and for the year ended June 30, 2022, 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.

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, and the aggregate remaining fund information of the City of Sevierville, Tennessee, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sevierville, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 – 15 and the required supplementary information on pages 85 – 94 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sevierville, Tennessee's basic financial statements. The other supplementary information in the financial 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. Such information 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. The 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, other supplementary information in the financial section and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, 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 financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sevierville, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sevierville, Tennessee's internal control over financial reporting and compliance.

Brown Jake & McDaniel, PC

Knoxville, Tennessee
December 21, 2022

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, 2022. 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 \$356,426,882 (*net position*). Of this amount, \$95,346,503 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 \$47,157,381 from ongoing operations.
- At the close of the current fiscal year, the government's governmental funds reported combined fund balances of \$62,071,849, an increase of \$7,911,678 in comparison with the prior year. Approximately 37% of this amount (\$22,971,611) 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 \$34,168,391, or approximately 70% of total fiscal year 2022 budgeted general fund expenditures.
- The government's total general obligation bonded debt decreased by \$12,415,000 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 enterprise 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 - 34 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 35 – 36 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 37 - 84 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 85 - 94 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 95 - 125 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 \$356,426,882, at the close of the most recent fiscal year.

City of Sevierville's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 95,945,066	\$ 82,301,849	\$ 89,735,555	\$ 81,799,104	\$ 185,680,621	\$ 164,100,953
Capital assets	195,241,484	187,589,220	226,442,577	220,535,135	421,684,061	408,124,355
Total assets	291,186,550	269,891,069	316,178,132	302,334,239	607,364,682	572,225,308
Total deferred outflows of resources	3,821,201	2,056,930	12,368,819	14,452,304	16,190,020	16,509,234
Long-term liabilities	140,226,412	156,189,814	46,810,775	61,018,306	187,037,187	217,208,120
Other liabilities	13,698,110	14,194,968	47,384,411	41,069,424	61,082,521	55,264,392
Total liabilities	153,924,522	170,384,782	94,195,186	102,087,730	248,119,708	272,472,512
Total deferred inflows of resources	10,406,810	5,470,887	8,601,302	1,521,642	19,008,112	6,992,529
Net investment in capital assets	51,222,585	34,314,692	195,700,282	186,713,852	246,922,867	221,028,544
Restricted	10,749,976	9,649,828	3,407,536	2,783,734	14,157,512	12,433,562
Unrestricted	68,703,858	52,127,810	26,642,645	23,679,585	95,346,503	75,807,395
Total net position	\$ 130,676,419	\$ 96,092,330	\$ 225,750,463	\$ 213,177,171	\$ 356,426,882	\$ 309,269,501

By far, the largest portion of the government's net position (69.3%) 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 (3.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$95,346,503 (26.8%) is unrestricted.

The government's overall net position increased \$47,157,381 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 \$34,584,089 from the prior fiscal year for an ending net position balance of \$130,676,419. Sales taxes revenues, increased by \$4,035,637 (11.7%) from prior year. Similarly, other taxes increased \$2,238,165 or 12.4 percent, operating grants and contributions increased \$4,604,304 or more than 100% and charges for services increased \$1,717,772 or 22.4 percent. The City realized a gain on investment derivatives (interest rate swaps) of \$4,948,248 and received capital grants and contributions of \$799,231. Operating expenses increased \$5,514,600 or 13.2% as the City recovers from the Covid-19 pandemic.

City of Sevierville's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 9,385,174	\$ 7,667,402	\$ 193,286,776	\$ 177,504,127	\$ 202,671,950	\$ 185,171,529
Operating grants and contributions	5,392,235	787,931	-	-	5,392,235	787,931
Capital grants and contributions	799,231	1,849,696	-	-	799,231	1,849,696
General revenues:						
Sales taxes	38,453,664	34,418,027	-	-	38,453,664	34,418,027
Other taxes	20,167,678	17,929,513	-	-	20,167,678	17,929,513
Other revenues	507,929	691,684	313,770	1,397,818	821,699	2,089,502
Gain on investment derivatives	4,948,248	4,291,852	-	-	4,948,248	4,291,852
Gain on disposal of capital assets	-	234,206	-	-	-	234,206
Total revenues	79,654,159	67,870,311	193,600,546	178,901,945	273,254,705	246,772,256
Expenses:						
General government	13,796,543	11,758,124	-	-	13,796,543	11,758,124
Public safety	13,935,170	11,702,425	-	-	13,935,170	11,702,425
Public works	7,704,724	6,911,413	-	-	7,704,724	6,911,413
Recreation	6,832,898	5,722,965	-	-	6,832,898	5,722,965
Community development	216,120	216,119	-	-	216,120	216,119
Interest on long-term debt	4,542,066	5,255,922	-	-	4,542,066	5,255,922
Debt administration - other	333,802	279,755	-	-	333,802	279,755
Water and Sewer Department	-	-	14,737,719	14,286,480	14,737,719	14,286,480
Electric Department	-	-	163,998,282	152,163,668	163,998,282	152,163,668
Total expenses	47,361,323	41,846,723	178,736,001	166,450,148	226,097,324	208,296,871
Excess of revenues over expenses	32,292,836	26,023,588	14,864,545	12,451,797	47,157,381	38,475,385
Transfers - in lieu of tax payment	2,291,253	2,115,906	(2,291,253)	(2,115,906)	-	-
Total other items	2,291,253	2,115,906	(2,291,253)	(2,115,906)	-	-
Change in net position	34,584,089	28,139,494	12,573,292	10,335,891	47,157,381	38,475,385
Net position - beginning	96,092,330	67,952,836	213,177,171	202,841,280	309,269,501	270,794,116
Net position - ending	\$ 130,676,419	\$ 96,092,330	\$ 225,750,463	\$ 213,177,171	\$ 356,426,882	\$ 309,269,501

Business-Type Activities. For the government's business-type activities, the results for the current fiscal year were positive in that net position increased by \$12,573,292 from ongoing operations for an overall net position of \$225,750,463. The total net position for business-type activities increased 5.9% from the prior fiscal year. Water and sewer reserves were further strengthened to fund a five-year \$33 million capital improvement plan as the System's net position increased nearly \$5.5 million. Electric System operating income at fiscal year-end was \$10.1 million in fiscal year 2022 vs. \$7.6 million in fiscal year 2021.

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, 2022, the government's governmental funds reported combined fund balances of \$62,071,849, an increase of \$7,911,678 in comparison with the prior year. Approximately 37.0% of this amount (\$22,971,611) 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 - \$756,429, 2) restricted for particular purposes - \$4,025,042, or 3) assigned for particular purposes - \$34,318,767.

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 \$22,971,611, while total fund balance increased to \$34,168,391. 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 47.3% of total fiscal year 2022 budgeted general fund expenditures, while total fund balance represents approximately 70.4% of that same amount.

The fund balance of the government's general fund increased by \$3,931,313 during the current fiscal year. The increase is largely due to increases in sales and amusement tax revenue as most businesses are fully reopened following prior year closures related to the Covid-19 pandemic. Also, the government received a significant amount of funding from the American Rescue Plan Act (ARPA).

The Central Business Improvement District Fund, a major fund, had a \$2,303,989 increase in fund balance during the current fiscal year which put the overall fund balance at \$18,127,253. The fund reports restricted fund balance of \$3,108,643, 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 \$15,018,610 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 \$22,112,398 and for the electric department fund was \$4,530,247. The water and sewer department fund had an increase in net position of \$5,446,414 and the electric department fund had an increase in net position of \$7,126,878. The increase from operations for the water and sewer department fund results from intentional reserve strengthening to prepare for a \$33 million capital improvement plan beginning in fiscal year 2023. The increase in electric department net position is attributable to a combination of customer growth, rate changes and an increase in electric sales.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need for budget amendments to fund a 34-acre land acquisition, a \$1 million donation to Sevier County High School, road design services and other items, all of which totaled \$6,851,000.

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, 2022 amounts to \$421,684,061 (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 3.2%.

City of Sevierville's Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 60,218,241	\$ 55,374,018	\$ 7,981,132	\$ 7,989,001	\$ 68,199,373	\$ 63,363,019
Construction work in progress	6,741,685	13,676,202	11,921,723	4,585,401	18,663,408	18,261,603
Buildings	116,574,094	105,559,778	-	-	116,574,094	105,559,778
Infrastructure	56,029,757	55,030,626	-	-	56,029,757	55,030,626
Machinery, equipment, and vehicles	19,801,232	21,499,426	24,887,760	24,117,166	44,688,992	45,616,592
Water and sewer utility plant	-	-	115,302,642	115,366,026	115,302,642	115,366,026
Electric utility plant	-	-	246,013,928	238,249,835	246,013,928	238,249,835
Plant acquisition adjustments, net of amortization	-	-	-	-	-	-
Total capital assets	259,365,009	251,140,050	406,107,185	390,307,429	665,472,194	641,447,479
Less: accumulated depreciation	64,123,525	63,187,194	179,664,608	169,772,294	243,788,133	232,959,488
Net capital assets	\$ 195,241,484	\$ 187,952,856	\$ 226,442,577	\$ 220,535,135	\$ 421,684,061	\$ 408,487,991

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

- Various projects related to the electric department at a cost of \$9,393,111 for the electric distribution system.
- The completion of various projects related to the water and sewer system at a cost of \$1,566,360, excluding CWIP.
- The purchase of land in governmental funds at a cost of \$4,844,223.
- Completed buildings and improvements in governmental funds at a cost of \$11,014,316.
- Completed traffic signals and bridges at a cost of \$999,131.
- The purchase of various machinery and equipment in governmental funds at a cost of \$447,443.
- The purchase of various transportation equipment and vehicles in governmental funds at a cost of \$1,889,747.

Additional information on the government's capital assets can be found in Note 3 on pages 50 - 51 of this report.

Long-term debt. At the end of the current fiscal year, the government had a total bonded debt outstanding of \$171,380,000. All of this amount is debt backed by the full faith and credit of the government.

The government's total bonded debt decreased by \$12,415,000 (6.8 %) 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 52 - 54 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 2022-2023 fiscal year budget.

- Sales and hospitality tax revenue projections return to growth rates closer to pre-pandemic levels following the Covid-19 related slowdown and subsequent tourism resurgence.
- The five-year capital improvement plan includes \$2.9 million for ADA-related projects and \$11.35 million in traffic control projects. The government will issue approximately \$30 million in debt for construction of a new East Sevierville Park and for expansion and renovation of the Community Center and Police Department.
- The government maintains the property tax rate for tax year 2023 at \$0.4254 per \$100 of assessed value.
- The government continues to supplement CBID fund revenue at a rate of \$3.0 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 will issue debt for and begin construction of a \$75 million wastewater treatment expansion.

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, 2022

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 15,968,423	\$ 44,088,342	\$ 60,056,765
Investments	41,426,067	13,081,965	54,508,032
Receivables:			
Property taxes, net of allowance of \$50,232	25,707	-	25,707
Customers, net of allowance of \$83,403 and \$1,424,253, respectively	177,273	8,979,784	9,157,057
Other, including current maturities of notes receivable from customers of \$444,444	2,018,923	1,723,451	3,742,374
Unbilled revenue	4,391,786	10,376,785	14,768,571
Due from other governments	8,213,030	-	8,213,030
Materials and supplies inventory	197,938	4,161,203	4,359,141
Prepayments	621,189	-	621,189
Restricted assets:			
Cash and cash equivalents	831,235	13,380	844,615
Investments	3,108,643	2,560,550	5,669,193
Due from other governments	12,239,918	-	12,239,918
Total current assets	<u>89,220,132</u>	<u>84,985,460</u>	<u>174,205,592</u>
Non-current assets:			
Capital assets, not being depreciated:			
Land and improvements	60,218,241	7,981,132	68,199,373
Construction work in progress	6,741,685	11,921,723	18,663,408
Capital assets, being depreciated:			
Buildings and improvements	116,574,094	-	116,574,094
Infrastructure	56,029,757	-	56,029,757
Machinery and equipment	19,801,232	24,887,760	44,688,992
Utility plant	-	361,316,570	361,316,570
Less accumulated depreciation	<u>(64,123,525)</u>	<u>(179,664,608)</u>	<u>(243,788,133)</u>
Total capital assets	195,241,484	226,442,577	421,684,061
Other non-current assets:			
Notes receivable from customers, less current maturities	-	1,490,741	1,490,741
Receivable - Tennessee Valley Authority Residential Energy Services Program	-	1,797,371	1,797,371
Other investments	-	452,770	452,770
Regulatory assets, unamortized	-	137,771	137,771
Other assets	-	37,836	37,836
Net pension asset	6,724,934	833,606	7,558,540
Total non-current assets	<u>201,966,418</u>	<u>231,192,672</u>	<u>433,159,090</u>
Total assets	<u>291,186,550</u>	<u>316,178,132</u>	<u>607,364,682</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated changes in fair value of hedging derivatives	-	1,610,926	1,610,926
Pension related	3,821,201	7,849,567	11,670,768
OPEB related	-	2,908,326	2,908,326
Total deferred outflows of resources	<u>3,821,201</u>	<u>12,368,819</u>	<u>16,190,020</u>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position (Continued)
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current liabilities:			
Payable from current assets:			
Accounts payable	\$ 1,572,037	\$ 15,324,816	\$ 16,896,853
Accrued liabilities	1,160,216	1,959,577	3,119,793
Accrued interest payable	-	61,285	61,285
Due to other governments	113,129	-	113,129
Revenues received in advance	-	308,750	308,750
Reserve for health insurance claims	254,249	2,040,636	2,294,885
Other	-	-	-
Customer deposits, including interest of \$390,278	267,142	22,534,903	22,802,045
Non-current liabilities - due within one year	10,308,678	5,154,444	15,463,122
Funds held in trust	22,659	-	22,659
Total current liabilities	<u>13,698,110</u>	<u>47,384,411</u>	<u>61,082,521</u>
Non-current liabilities:			
Due in more than one year	134,630,611	33,106,063	167,736,674
Derivative instruments - interest rate swaps	5,595,801	1,724,111	7,319,912
Net OPEB liability	-	1,620,028	1,620,028
Total OPEB liability	-	984,800	984,800
Net pension liability	-	7,570,323	7,570,323
Advances from Tennessee Valley Authority Residential Energy Services Program	-	1,805,450	1,805,450
Total non-current liabilities	<u>140,226,412</u>	<u>46,810,775</u>	<u>187,037,187</u>
Total liabilities	<u>153,924,522</u>	<u>94,195,186</u>	<u>248,119,708</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	4,391,786	-	4,391,786
Pension related	5,856,104	7,245,950	13,102,054
OPEB related	-	1,355,352	1,355,352
Deferred charge on refunding	158,920	-	158,920
Total deferred inflows of resources	<u>10,406,810</u>	<u>8,601,302</u>	<u>19,008,112</u>
<u>NET POSITION</u>			
Net investment in capital assets	51,222,585	195,700,282	246,922,867
Restricted:			
Debt service	3,108,643	2,573,930	5,682,573
State street aid	592,596	-	592,596
Drug enforcement	323,803	-	323,803
Pensions	6,724,934	833,606	7,558,540
Unrestricted	<u>68,703,858</u>	<u>26,642,645</u>	<u>95,346,503</u>
Total net position	<u>\$ 130,676,419</u>	<u>\$ 225,750,463</u>	<u>\$ 356,426,882</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, 2022**

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
Governmental activities:							
General government	\$ 13,796,543	\$ 1,857,488	\$ -	\$ -	\$ (11,939,055)	\$ -	\$ (11,939,055)
Public safety	13,935,170	574,814	5,392,235	597,088	(7,371,033)	-	(7,371,033)
Public works	7,704,724	3,055,266	-	202,143	(4,447,315)	-	(4,447,315)
Recreation	6,832,898	3,897,606	-	-	(2,935,292)	-	(2,935,292)
Community development	216,120	-	-	-	(216,120)	-	(216,120)
Interest	4,542,066	-	-	-	(4,542,066)	-	(4,542,066)
Debt administration - other	333,802	-	-	-	(333,802)	-	(333,802)
Total governmental activities	47,361,323	9,385,174	5,392,235	799,231	(31,784,683)	-	(31,784,683)
Business-type activities:							
Water and Sewer Department	14,737,719	20,169,915	-	-	-	5,432,196	5,432,196
Electric Department	163,998,282	173,116,861	-	-	-	9,118,579	9,118,579
Total business-type activities	178,736,001	193,286,776	-	-	-	14,550,775	14,550,775
Total government	\$ 226,097,324	\$ 202,671,950	\$ 5,392,235	\$ 799,231	(31,784,683)	14,550,775	(17,233,908)
General revenues:							
Taxes:							
Sales taxes					38,453,664	-	38,453,664
Privilege taxes					10,858,952	-	10,858,952
Property taxes					4,354,568	-	4,354,568
Wholesale beer taxes					1,855,488	-	1,855,488
Business taxes					1,969,128	-	1,969,128
Other taxes					1,129,542	-	1,129,542
Interest earned					106,055	175,187	281,242
Miscellaneous					401,874	138,583	540,457
Gain (loss) on investment derivatives					4,948,248	-	4,948,248
Transfers					2,291,253	(2,291,253)	-
Total general revenues and transfers					66,368,772	(1,977,483)	64,391,289
Change in net position					34,584,089	12,573,292	47,157,381
Net position, beginning					96,092,330	213,177,171	309,269,501
Net position - ending					\$ 130,676,419	\$ 225,750,463	\$ 356,426,882

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

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,660,863	\$ 300,247	\$ 9,162,394	\$ 12,123,504
Investments	26,707,704	14,718,363	-	41,426,067
Receivables:				
Property taxes (less allowance for doubtful accounts of \$50,232)	25,707	-	-	25,707
Customers (less allowance for doubtful accounts of \$83,403)	177,273	-	-	177,273
Other	1,872,051	-	-	1,872,051
Unbilled property taxes	4,391,786	-	-	4,391,786
Due from other governments	7,783,820	-	429,210	8,213,030
Materials and supplies inventory	197,938	-	-	197,938
Prepayments	558,491	-	-	558,491
Restricted assets:				
Cash and cash equivalents	570	-	830,665	831,235
Investments	-	3,108,643	-	3,108,643
Due from other governments	-	12,131,525	108,393	12,239,918
Total assets	\$ 44,376,203	\$ 30,258,778	\$ 10,530,662	\$ 85,165,643
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,236,366	\$ -	\$ 310,292	\$ 1,546,658
Accrued liabilities	1,160,216	-	-	1,160,216
Due to other governments	113,129	-	-	113,129
Funds held in trust	-	-	22,659	22,659
Customer deposits	267,142	-	-	267,142
Total liabilities	2,776,853	-	332,951	3,109,804
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,391,786	-	-	4,391,786
Unavailable revenue - other	108,860	-	-	108,860
Unavailable revenue - sales taxes	-	12,131,525	-	12,131,525
Unavailable revenue - grant revenue	2,930,313	-	421,506	3,351,819
Total deferred inflows of resources	7,430,959	12,131,525	421,506	19,983,990
Fund balances:				
Nonspendable:				
Inventories and prepayments	756,429	-	-	756,429
Restricted:				
Debt service	-	3,108,643	-	3,108,643
State street aid fund	-	-	592,596	592,596
Drug enforcement fund	-	-	323,803	323,803
Assigned:				
Central Business Improvement District Fund	-	15,018,610	-	15,018,610
Solid waste department	301,690	-	-	301,690
Golf Course	1,843,104	-	-	1,843,104
Convention center department	754,767	-	-	754,767
Capital outlay	7,540,790	-	8,859,806	16,400,596
Unassigned	22,971,611	-	-	22,971,611
Total fund balances	34,168,391	18,127,253	9,776,205	62,071,849
Total liabilities, deferred inflows of resources and fund balances	\$ 44,376,203	\$ 30,258,778	\$ 10,530,662	\$ 85,165,643

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, 2022**

Total fund balances - governmental funds	\$ 62,071,849	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$ 259,365,009	
Accumulated depreciation	<u>(64,123,525)</u>	195,241,484
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		6,724,934
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	4,054,489	
Total liabilities	<u>(279,628)</u>	3,774,861
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	(143,643,318)	
Leases payable	(216,661)	
Compensated absences	(1,079,310)	
Derivative instruments - interest rate swaps	<u>(5,595,801)</u>	(150,535,090)
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:		
Pension related	3,821,201	
Deferred inflows of resources:		
Unavailable revenue - sales tax	12,131,525	
Unavailable revenue - grants	3,351,819	
Unavailable revenue - other	108,860	
Pension related	(5,856,104)	
Deferred charge on refunding	<u>(158,920)</u>	<u>13,398,381</u>
Total net position--governmental activities		\$ <u>130,676,419</u>

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, 2022**

	General Fund	Central Business Improvement District Fund	Nonmajor Governmental Funds	Total
Revenues:				
Local taxes	\$ 43,710,917	\$ 3,224,644	\$ -	\$ 46,935,561
Licenses and permits	604,697	-	-	604,697
Intergovernmental revenue	5,763,851	7,449,600	1,270,405	14,483,856
Charges for services	7,527,566	-	-	7,527,566
Fines, forfeits and penalties	363,006	-	136,161	499,167
Other revenues	403,575	54,937	37,963	496,475
Total revenues	58,373,612	10,729,181	1,444,529	70,547,322
Expenditures:				
Current:				
General government	12,545,204	-	68,448	12,613,652
Public safety	12,705,695	-	164,369	12,870,064
Public works	6,073,434	-	593,595	6,667,029
Recreation	5,718,136	-	364,564	6,082,700
Debt service:				
Principal	2,085,000	7,085,000	-	9,170,000
Interest	776,030	4,153,287	-	4,929,317
Debt service charges	46,897	286,905	-	333,802
Capital outlay:				
General government	4,852,860	-	713,053	5,565,913
Public safety	315,690	-	4,944,087	5,259,777
Public works	33,132	-	986,097	1,019,229
Recreation	28,972	-	386,442	415,414
Total expenditures	45,181,050	11,525,192	8,220,655	64,926,897
Excess (deficiencies) of revenues over (under) expenditures	13,192,562	(796,011)	(6,776,126)	5,620,425
Other financing sources (uses):				
Transfers in	2,291,253	3,100,000	8,452,502	13,843,755
Transfers out	(11,552,502)	-	-	(11,552,502)
Total other financing sources (uses)	(9,261,249)	3,100,000	8,452,502	2,291,253
Net change in fund balances	3,931,313	2,303,989	1,676,376	7,911,678
Fund balances, beginning	30,237,078	15,823,264	8,099,829	54,160,171
Fund balances, ending	\$ 34,168,391	\$ 18,127,253	\$ 9,776,205	\$ 62,071,849

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, 2022**

Net change in fund balances - total governmental funds	\$	7,911,678
<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 capital outlays expense exceeds depreciation expense:</p>		
Depreciation expense	\$	(4,127,772)
Capital outlays		<u>12,260,333</u>
		8,132,561
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		4,158,592
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.		(843,933)
<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		9,170,000
Lease payments		146,974
Amortization of bond premiums		385,996
Deferred charge on refunding		<u>16,294</u>
		9,719,264
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.		4,948,248
<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		(106,261)
Negative pension expense		<u>1,305,815</u>
		1,199,554
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>(641,875)</u>
Change in net position of governmental activities	\$	<u>34,584,089</u>

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

CITY OF SEVIERVILLE, TENNESSEE

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.

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, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2021)**

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Revenues:				
Local taxes:				
Property tax	\$ 4,319,023	\$ 4,319,023	\$ 4,320,658	\$ 4,213,164
Interest and penalties on property tax	15,000	15,000	29,529	23,898
In lieu of tax - property tax	4,619	4,619	4,381	4,371
Local sales tax	20,834,151	24,284,151	24,297,901	22,161,027
Wholesale liquor tax	262,549	262,549	269,896	279,843
Wholesale beer tax	1,428,604	1,428,604	1,585,592	1,576,154
Business tax	1,502,281	1,502,281	1,969,128	1,674,382
Amusement privilege tax	428,797	428,797	701,722	531,033
Restaurant privilege tax	4,529,024	4,529,024	5,341,640	4,725,648
Natural gas franchise tax	240,000	240,000	242,462	156,991
Cable television franchise tax	139,071	139,071	132,418	135,112
Lodging privilege tax	3,200,954	3,815,954	4,768,372	3,861,509
Liquor privilege tax	31,369	31,369	34,203	29,159
Beer privilege tax	11,589	11,589	13,015	11,232
Total local taxes	36,947,031	41,012,031	43,710,917	39,383,523
Licenses and permits:				
Building permits	175,000	175,000	531,573	244,225
Other licenses and permits	51,400	51,400	73,124	59,150
Total licenses and permits	226,400	226,400	604,697	303,375
Intergovernmental revenue:				
Federal grants	26,000	26,000	2,597,978	282,897
In lieu of tax - Sevier Housing Authority	27,500	27,500	35,457	32,479
State grants	7,000	7,000	7,320	6,487
State of Tennessee:				
Public safety salary supplement	93,600	93,600	84,000	76,800
Sales tax	1,398,374	1,398,374	2,012,598	1,570,970
Hall income tax	-	-	8,764	74,643
Beer tax	7,750	7,750	8,171	7,010
Mixed drink tax	294,332	294,332	360,722	305,754
State sports betting	15,000	15,000	16,701	5,471
City streets and transportation tax	29,766	29,766	32,510	29,396
Street maintenance contract	189,000	189,000	136,905	165,947
Telecommunications sales tax	11,000	11,000	11,640	11,786
TVA gross receipts tax	187,335	187,335	185,736	169,253
State excise tax	50,000	50,000	106,599	83,010
Unemployment	-	-	-	9,930
Sevier County, Tennessee:				
Fire department	54,750	54,750	53,750	53,750
School resource officers salary supplement	105,000	105,000	105,000	105,000
Total intergovernmental revenue	2,496,407	2,496,407	5,763,851	2,990,583

(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, 2022
 (With Comparative Totals for the Fiscal Year Ended June 30, 2021)**

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Revenues (continued):				
Charges for services:				
Police security	\$ 44,600	\$ 44,600	\$ 55,840	\$ 5,210
Solid waste fees	2,383,000	2,383,000	2,296,122	2,021,143
Convention center fees	716,430	716,430	1,218,774	819,295
Golf course fees	2,474,191	2,474,191	3,254,932	3,032,935
Community center fees	380,000	380,000	400,415	245,983
City park fees	236,500	236,500	168,731	104,520
Civic center rental fees	65,000	65,000	64,200	38,063
Other charges for services	84,747	84,747	68,552	63,919
Total charges for services	6,384,468	6,384,468	7,527,566	6,331,068
Fines, forfeits and penalties:				
City court fines and costs	113,000	113,000	183,587	96,590
Diversion filing	110,000	110,000	100,107	91,741
County court fines and costs	50,000	50,000	73,012	46,520
Offenders registration	1,000	1,000	1,400	1,203
Forfeits and seizures	4,500	4,500	4,900	2,484
Total fines, forfeits and penalties	278,500	278,500	363,006	238,538
Other revenues:				
Interest earnings	250,000	250,000	51,118	137,647
Rents and leases	67,741	67,741	67,766	70,941
Other miscellaneous revenue	93,960	93,960	284,691	54,177
Total other revenues	411,701	411,701	403,575	262,765
Total revenues	46,744,507	50,809,507	58,373,612	49,509,852
Expenditures:				
General government:				
Legislative board:				
Personal services	128,015	128,015	118,532	124,136
Contractual services	26,870	26,870	24,814	18,874
Supplies	1,400	1,400	344	2,939
Total legislative board	156,285	156,285	143,690	145,949
Legal services:				
Contractual services	253,600	253,600	189,200	184,287
Total legal services	253,600	253,600	189,200	184,287

(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, 2022 (With Comparative Totals for the Fiscal Year Ended June 30, 2021)

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
General government (continued):				
City administration:				
Personal services	\$ 746,425	\$ 746,425	\$ 705,235	\$ 683,752
Contractual services	38,466	38,466	32,194	12,319
Supplies	14,225	14,225	6,189	3,126
Fixed charges	-	-	27	645
Less expense reimbursements from proprietary fund	(364,326)	(364,326)	(321,003)	(302,368)
Total city administration	<u>434,790</u>	<u>434,790</u>	<u>422,642</u>	<u>397,474</u>
City recorder/finance department:				
Personal services	1,156,974	1,156,974	1,086,968	1,030,015
Contractual services	258,257	258,257	211,640	204,296
Supplies	27,450	27,450	21,252	13,662
Fixed charges	66,787	66,787	109,689	81,512
Less expense reimbursements from proprietary fund	(364,326)	(364,326)	(321,002)	(298,368)
Total city recorder/finance department	<u>1,145,142</u>	<u>1,145,142</u>	<u>1,108,547</u>	<u>1,031,117</u>
Information services:				
Personal services	433,783	433,783	272,933	326,762
Contractual services	629,585	629,585	543,324	394,614
Supplies	2,625	2,625	1,453	6,587
Capital outlay	112,600	112,600	84,529	76,101
Less expense reimbursements from proprietary fund	(364,326)	(364,326)	(321,002)	(300,369)
Total information services	<u>814,267</u>	<u>814,267</u>	<u>581,237</u>	<u>503,695</u>
Planning and development:				
Personal services	704,769	704,769	704,264	695,634
Contractual services	114,942	114,942	18,145	43,041
Supplies	11,520	11,520	6,095	5,787
Fixed charges	-	-	-	6,157
Capital outlay	5,000	5,000	4,925	-
Total planning and development	<u>836,231</u>	<u>836,231</u>	<u>733,429</u>	<u>750,619</u>
Facilities management:				
Personal services	494,575	494,575	442,630	406,127
Contractual services	40,256	40,256	21,836	19,494
Supplies	21,845	21,845	15,724	17,890
Total facilities management	<u>556,676</u>	<u>556,676</u>	<u>480,190</u>	<u>443,511</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, 2022 (With Comparative Totals for the Fiscal Year Ended June 30, 2021)

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
General government (continued):				
Marketing:				
Personal services	\$ 65,868	\$ 65,868	\$ 13,133	\$ 29,664
Contractual services	4,664,150	5,279,150	5,014,413	4,235,322
Supplies	725	725	-	-
Fixed charges	-	-	-	20
Total marketing	<u>4,730,743</u>	<u>5,345,743</u>	<u>5,027,546</u>	<u>4,265,006</u>
Sevierville Convention Center:				
Personal services	921,828	921,828	892,192	867,245
Contractual services	723,414	723,414	572,998	449,572
Supplies	39,650	39,650	40,898	32,344
Fixed charges	98,277	98,277	139,985	78,378
Total Sevierville Convention Center	<u>1,783,169</u>	<u>1,783,169</u>	<u>1,646,073</u>	<u>1,427,539</u>
Contracts, grants and other special funding:				
Contractual services	150,000	150,000	145,289	528,065
Grants, contributions and other	227,000	1,227,000	1,183,204	195,380
Total contracts, grants and other special funding	<u>377,000</u>	<u>1,377,000</u>	<u>1,328,493</u>	<u>723,445</u>
Other general government:				
Personal services	9,000	9,000	8,200	92
Contractual services	398,027	398,027	185,914	271,992
Supplies	4,000	4,000	4,790	718
Fixed charges	674,254	674,254	637,439	526,491
Capital outlay	160,000	5,010,000	4,857,554	-
Total other general government	<u>1,245,281</u>	<u>6,095,281</u>	<u>5,693,897</u>	<u>799,293</u>
Total general government	<u>12,333,184</u>	<u>18,798,184</u>	<u>17,354,944</u>	<u>10,671,935</u>
Public safety:				
Police:				
Personal services	6,047,102	6,147,102	6,190,354	5,622,591
Contractual services	221,960	221,960	195,490	137,429
Supplies	273,120	273,120	237,967	216,392
Fixed charges	-	-	4	3,251
Grants, contributions and other	37,875	37,875	34,487	35,935
Capital outlay	453,342	453,342	412,448	738,102
Total police	<u>7,033,399</u>	<u>7,133,399</u>	<u>7,070,750</u>	<u>6,753,700</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, 2022 (With Comparative Totals for the Fiscal Year Ended June 30, 2021)

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Public safety (continued):				
Traffic control and maintenance:				
Personal services	\$ 302,635	\$ 302,635	\$ 252,528	\$ 237,221
Contractual services	101,000	101,000	82,518	65,698
Supplies	146,050	146,050	144,805	125,913
Total traffic control and maintenance	549,685	549,685	479,851	428,832
Fire:				
Personal services	4,394,264	4,394,264	4,090,825	3,225,076
Contractual services	1,035,334	1,035,334	939,686	905,075
Supplies	357,382	353,382	322,516	229,054
Capital outlay	656,436	660,436	117,757	140,392
Total fire	6,443,416	6,443,416	5,470,784	4,499,597
Total public safety	14,026,500	14,126,500	13,021,385	11,682,129
Public works:				
Street:				
Personal services	1,802,230	1,802,230	1,633,620	1,512,566
Contractual services	371,423	371,423	354,621	326,239
Supplies	114,050	114,050	140,999	143,973
Building materials	627,900	627,900	594,123	521,459
Fixed charges	-	-	4	8
Capital outlay	43,500	43,500	36,106	-
Total street	2,959,103	2,959,103	2,759,473	2,504,245
Fleet maintenance:				
Personal services	590,700	590,700	538,750	517,197
Contractual services	105,728	105,728	93,595	84,723
Supplies	333,925	413,925	428,127	276,741
Fixed charges	-	-	7	14
Total fleet maintenance	1,030,353	1,110,353	1,060,479	878,675

(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, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2021)**

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Public works (continued):				
Solid waste:				
Personal services	\$ 798,700	\$ 798,700	\$ 764,450	\$ 712,347
Contractual services	843,500	843,500	774,802	707,502
Supplies	229,800	229,800	349,216	210,202
Bad debt expense	-	-	9,413	13,753
Capital outlay	515,000	721,000	388,733	314,606
Total solid waste	2,387,000	2,593,000	2,286,614	1,958,410
Total public works	6,376,456	6,662,456	6,106,566	5,341,330
Recreation:				
Parks and recreation:				
Personal services	1,092,261	1,092,261	1,120,624	1,156,760
Contractual services	220,693	220,693	201,842	205,209
Supplies	235,950	235,950	211,713	187,281
Materials	8,800	8,800	12,060	4,930
Capital outlay	7,500	7,500	7,649	8,484
Total parks and recreation	1,565,204	1,565,204	1,553,888	1,562,664
Community Center:				
Personal services	986,824	986,824	974,153	817,790
Contractual services	136,598	136,598	146,077	138,107
Supplies	121,790	121,790	88,915	93,957
Fixed charges	-	-	-	4,044
Other	14,500	14,500	8,457	5,402
Total Community Center	1,259,712	1,259,712	1,217,602	1,059,300
Civic Center:				
Personal services	156,378	156,378	167,055	148,042
Contractual services	38,276	38,276	29,411	26,040
Supplies	14,250	14,250	11,344	8,457
Total Civic Center	208,904	208,904	207,810	182,539

(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, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2021)**

	2022		Actual	2021
	Budgeted Amounts			
	Original	Final		
Expenditures (continued):				
Recreation (continued):				
Sevierville Golf Club:				
Personal services	\$ 1,369,836	\$ 1,369,836	\$ 1,453,027	\$ 1,263,941
Contractual services	438,884	438,884	423,892	333,711
Supplies	828,560	828,560	801,215	704,995
Fixed charges	67,095	67,095	132,794	81,310
Capital outlay	129,805	129,805	-	4,925
Total Sevierville Golf Club	<u>2,834,180</u>	<u>2,834,180</u>	<u>2,810,928</u>	<u>2,388,882</u>
Total recreation	<u>5,868,000</u>	<u>5,868,000</u>	<u>5,790,228</u>	<u>5,193,385</u>
Debt administration:				
Principal	2,085,000	2,085,000	2,085,000	1,975,000
Interest	910,092	910,092	776,030	884,904
Debt service charges	100,000	100,000	46,897	29,975
Total debt administration	<u>3,095,092</u>	<u>3,095,092</u>	<u>2,907,927</u>	<u>2,889,879</u>
Total expenditures	<u>41,699,232</u>	<u>48,550,232</u>	<u>45,181,050</u>	<u>35,778,658</u>
Revenues over (under) expenditures	<u>5,045,275</u>	<u>2,259,275</u>	<u>13,192,562</u>	<u>13,731,194</u>
Other financing sources (uses):				
Transfers in	2,279,771	2,279,771	2,291,253	2,615,906
Transfers out	(11,552,502)	(12,552,502)	(11,552,502)	(6,154,698)
Total other financing sources (uses)	<u>(9,272,731)</u>	<u>(10,272,731)</u>	<u>(9,261,249)</u>	<u>(3,538,792)</u>
Net change in fund balances	(4,227,456)	(8,013,456)	3,931,313	10,192,402
Fund balance, beginning	<u>30,237,078</u>	<u>30,237,078</u>	<u>30,237,078</u>	<u>20,044,676</u>
Fund balance, ending	<u>\$ 26,009,622</u>	<u>\$ 22,223,622</u>	<u>\$ 34,168,391</u>	<u>\$ 30,237,078</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.

CITY OF SEVIERVILLE, TENNESSEE
**Statement of Net Position
Proprietary Funds
June 30, 2022**

	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	\$ 22,200,045	\$ 21,888,297	\$ 44,088,342	\$ 3,844,919
Investments:				
Unsegregated	987,346	7,290,476	8,277,822	-
Segregated for emergency and self-insured funds	-	4,804,143	4,804,143	-
Receivables:				
Customers (net of allowance for doubtful accounts of \$521,699 and \$902,554, respectively)	1,043,957	7,935,827	8,979,784	-
Other, including current maturities of notes receivable from customers of \$444,444	606,477	1,116,974	1,723,451	146,872
Unbilled revenue	1,019,473	9,357,312	10,376,785	-
Materials and supplies inventories	854,132	3,307,071	4,161,203	-
Prepayments	-	-	-	62,698
Restricted assets:				
Cash and cash equivalents	-	13,380	13,380	-
Investments - debt reserve	-	2,560,550	2,560,550	-
Total current assets	<u>26,711,430</u>	<u>58,274,030</u>	<u>84,985,460</u>	<u>4,054,489</u>
Noncurrent assets:				
Capital assets, not being depreciated:				
Land and land rights	437,557	7,543,575	7,981,132	-
Construction work in progress	7,532,033	4,389,690	11,921,723	-
Capital assets, being depreciated:				
Utility plant	115,302,642	246,013,928	361,316,570	-
Machinery and equipment	12,686,389	12,201,371	24,887,760	-
Less accumulated depreciation	<u>(57,786,483)</u>	<u>(121,878,125)</u>	<u>(179,664,608)</u>	<u>-</u>
Total capital assets	78,172,138	148,270,439	226,442,577	-
Other noncurrent assets:				
Notes receivable from customers, less current maturities	-	1,490,741	1,490,741	-
Tennessee Valley Authority Residential Energy Services Program receivable	-	1,797,371	1,797,371	-
Other investments	-	452,770	452,770	-
Regulatory assets, unamortized	-	137,771	137,771	-
Other assets	-	37,836	37,836	-
Net pension asset	833,606	-	833,606	-
Total noncurrent assets	<u>79,005,744</u>	<u>152,186,928</u>	<u>231,192,672</u>	<u>-</u>
Total assets	<u>105,717,174</u>	<u>210,460,958</u>	<u>316,178,132</u>	<u>4,054,489</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Accumulated changes in fair value of hedging derivatives	1,610,926	-	1,610,926	-
Pension related	1,797,171	6,052,396	7,849,567	-
OPEB related	346,000	2,562,326	2,908,326	-
Total deferred outflows of resources	<u>3,754,097</u>	<u>8,614,722</u>	<u>12,368,819</u>	<u>-</u>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Statement of Net Position
Proprietary Funds (Continued)
June 30, 2022

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
<u>LIABILITIES</u>				
Current liabilities:				
Current maturities of long-term debt	\$ 1,730,000	\$ 2,129,444	\$ 3,859,444	\$ -
Compensated absences - current	175,000	1,120,000	1,295,000	-
Accounts payable	809,413	14,515,403	15,324,816	25,379
Accrued expenses	386,031	1,573,546	1,959,577	-
Accrued interest	51,285	10,000	61,285	-
Reserve for health insurance claims	-	2,040,636	2,040,636	254,249
Revenues received in advance	308,750	-	308,750	-
Customer deposits, including interest of \$390,278	1,367,823	21,167,080	22,534,903	-
Total current liabilities	4,828,302	42,556,109	47,384,411	279,628
Noncurrent liabilities:				
Long-term debt, less current maturities	25,767,295	3,059,972	28,827,267	-
Compensated absences, less current portion	268,283	4,010,513	4,278,796	-
Derivative instrument - interest rate swap	1,610,926	113,185	1,724,111	-
Net OPEB liability	-	1,620,028	1,620,028	-
Total OPEB liability	984,800	-	984,800	-
Net pension liability	-	7,570,323	7,570,323	-
Advances from Tennessee Valley Authority Residential Energy Services Program	-	1,805,450	1,805,450	-
Total noncurrent liabilities	28,631,304	18,179,471	46,810,775	-
Total liabilities	33,459,606	60,735,580	94,195,186	279,628
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related	2,291,818	4,954,132	7,245,950	-
OPEB related	99,000	1,256,352	1,355,352	-
Total deferred inflows of resources	2,390,818	6,210,484	8,601,302	-
<u>NET POSITION</u>				
Net position:				
Net investment in capital assets	50,674,843	145,025,439	195,700,282	-
Restricted for debt service	-	2,573,930	2,573,930	-
Restricted for pensions	833,606	-	833,606	-
Unrestricted	22,112,398	4,530,247	26,642,645	3,774,861
Total net position	\$ 73,620,847	\$ 152,129,616	\$ 225,750,463	\$ 3,774,861

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, 2022**

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Water and Sewer Department Fund	Electric Department Fund	Total	
Operating revenues:				
Utility sales	\$ 17,766,927	\$ 169,794,688	\$ 187,561,615	\$ -
Other operating revenue	2,402,988	3,322,173	5,725,161	-
Medical, dental and childcare revenue	-	-	-	4,787,522
Total operating revenues	20,169,915	173,116,861	193,286,776	4,787,522
Operating expenses:				
Operations	8,056,244	6,157,056	14,213,300	4,893,213
Maintenance	235,709	11,802,735	12,038,444	-
Depreciation and amortization	4,138,407	8,695,373	12,833,780	-
Administrative and general	1,291,617	5,609,371	6,900,988	536,184
Purchased power	-	130,165,594	130,165,594	-
Payroll taxes	-	554,740	554,740	-
Total operating expenses	13,721,977	162,984,869	176,706,846	5,429,397
Operating income (loss)	6,447,938	10,131,992	16,579,930	(641,875)
Non-operating revenues (expenses):				
Interest income	52,200	122,987	175,187	-
Miscellaneous income	138,582	-	138,582	-
Merchandise sales, net of costs	-	(6,014)	(6,014)	-
Interest expense	(727,110)	(240,982)	(968,092)	-
Bond issuance costs	(83,800)	-	(83,800)	-
Loss on investment derivative	-	(113,185)	(113,185)	-
Gain (loss) on disposal	(204,831)	-	(204,831)	-
Intergovernmental - in lieu of tax	-	(653,232)	(653,232)	-
	(824,959)	(890,426)	(1,715,385)	-
Income (loss) before transfers	5,622,979	9,241,566	14,864,545	(641,875)
Transfers out	(176,565)	(2,114,688)	(2,291,253)	-
Change in net position	5,446,414	7,126,878	12,573,292	(641,875)
Net position, beginning	68,174,433	145,002,738	213,177,171	4,416,736
Net position, ending	\$ 73,620,847	\$ 152,129,616	\$ 225,750,463	\$ 3,774,861

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, 2022**

	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	\$ 20,572,550	\$ 172,196,379	\$ 192,768,929	\$ -
Cash received from employees, other participants and other funds	-	-	-	4,791,027
Cash payments to suppliers for goods and services	(6,393,485)	(143,999,129)	(150,392,614)	(1,161,738)
Cash payments to other funds	(2,709,520)	-	(2,709,520)	-
Cash payments to employees for services	-	(9,523,215)	(9,523,215)	-
Cash payments for claims	-	-	-	(4,238,998)
Net cash provided (used) by operating activities	<u>11,469,545</u>	<u>18,674,035</u>	<u>30,143,580</u>	<u>(609,709)</u>
Cash flows from noncapital financing activities:				
Cash payment for in-lieu of taxes	(176,565)	(2,767,920)	(2,944,485)	-
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	-	1,463	1,463	-
Other income (expense)	-	(6,014)	(6,014)	-
Repayment of USDA loan	-	(444,450)	(444,450)	-
Net cash used by noncapital financing activities	<u>(176,565)</u>	<u>(3,216,921)</u>	<u>(3,393,486)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(7,827,732)	(11,118,321)	(18,946,053)	-
Proceeds from issuance of debt	4,880,000	-	4,880,000	-
Proceeds from bond premium	204,625	-	204,625	-
Bond issuance costs	(83,800)	-	(83,800)	-
Principal paid on long-term debt	(6,525,000)	(1,600,000)	(8,125,000)	-
Interest paid	(783,461)	(217,539)	(1,001,000)	-
Net cash used by capital and related financing activities	<u>(10,135,368)</u>	<u>(12,935,860)</u>	<u>(23,071,228)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(5,892)	(111,107)	(116,999)	-
Interest received on investments	52,200	122,987	175,187	-
Customer repayments of USDA note receivable	-	444,445	444,445	-
Net cash provided by investing activities	<u>46,308</u>	<u>456,325</u>	<u>502,633</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,203,920	2,977,579	4,181,499	(609,709)
Cash and cash equivalents, beginning	<u>20,996,125</u>	<u>18,924,098</u>	<u>39,920,223</u>	<u>4,454,628</u>
Cash and cash equivalents, ending	<u>\$ 22,200,045</u>	<u>\$ 21,901,677</u>	<u>\$ 44,101,722</u>	<u>\$ 3,844,919</u>
Unrestricted cash and cash equivalents	\$ 22,200,045	\$ 21,888,297	\$ 44,088,342	\$ 3,844,919
Restricted cash and cash equivalents	-	13,380	13,380	-
Total cash and cash equivalents	<u>\$ 22,200,045</u>	<u>\$ 21,901,677</u>	<u>\$ 44,101,722</u>	<u>\$ 3,844,919</u>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water and Sewer Department Fund	Electric Department Fund	Total	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 6,447,938	\$ 10,131,992	\$ 16,579,930	\$ (641,875)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	4,138,407	8,695,373	12,833,780	-
Miscellaneous income (expense)	138,582	-	138,582	-
(Increase) decrease in assets and deferred outflows:				
Receivables	85,816	(3,017,818)	(2,932,002)	3,505
Unbilled revenues	92,037	-	92,037	-
Materials and supplies inventory	(77,019)	(723,531)	(800,550)	-
Prepayments	-	-	-	(62,698)
Other assets	-	15,397	15,397	-
Net pension asset	(603,854)	-	(603,854)	-
Deferred outflows related to pension and OPEB	706,075	(46,036)	660,039	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	496,644	2,209,109	2,705,753	20,103
Accrued expenses	176,413	133,616	310,029	-
Reserve for health insurance claims	-	58,593	58,593	71,256
Customer deposits	131,200	2,097,336	2,228,536	-
Revenue received in advance	(45,000)	-	(45,000)	-
Compensated absences	167,903	495,149	663,052	-
Net OPEB liability	(9,300)	(855,761)	(865,061)	-
Net pension liability	(2,320,423)	(5,654,918)	(7,975,341)	-
Deferred inflows related to pension plan and OPEB	1,944,126	5,135,534	7,079,660	-
Net cash provided (used) by operating activities	\$ 11,469,545	\$ 18,674,035	\$ 30,143,580	\$ (609,709)

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.

CITY OF SEVIERVILLE, TENNESSEE

Statement of Fiduciary Net Position

Fiduciary Funds - Pension and Other Employee Benefit Trust Funds

June 30, 2022

ASSETS

Cash and cash equivalents	\$ 1,012,197
Other receivables	<u>252</u>
Total cash and cash equivalents	<u>1,012,449</u>
Investments, at fair value:	
Mutual funds - equity	31,997,606
Mutual funds - fixed income	<u>11,788,698</u>
Total investments	<u>43,786,304</u>
Total assets	<u>44,798,753</u>

NET POSITION

Net position restricted for:	
Pensions	39,759,353
Postemployment benefits other than pensions	<u>5,039,400</u>
Total net position	<u>\$ 44,798,753</u>

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

CITY OF SEVIERVILLE, TENNESSEE

Statement of Changes in Fiduciary Net Position Fiduciary Funds - Pension and Other Employee Benefit Trust Funds For the Fiscal Year Ended June 30, 2022

Additions to net position:	
Employer contributions	\$ 3,082,302
Employee contributions	<u>351,603</u>
Total contributions	<u>3,433,905</u>
Investment income:	
Interest and dividend income	794,147
Net decrease in fair value of investments	<u>(9,057,546)</u>
Total investment income (loss)	<u>(8,263,399)</u>
Total additions (decrease)	<u>(4,829,494)</u>
Deductions from net position:	
Benefits paid to participants	3,216,082
Custodial fees	<u>41,897</u>
Total deductions	<u>3,257,979</u>
Net decrease in net position	(8,087,473)
Net position restricted:	
Beginning of the year	<u>52,886,226</u>
End of the year	<u>\$ 44,798,753</u>

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

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

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. Generally accepted accounting principles require that the financial reporting entity for governments include (1) the primary government, (2) organizations for which the City is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The criteria for including organizations for which the City is financially accountable, also known as component units, within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the management of the City has determined that it has no component units.

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, proprietary funds and fiduciary funds, although the latter are excluded from the government-wide financial statements. 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.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Financial Statements (Continued)

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.

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

Notes to the Financial Statements
June 30, 2022

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 are reported as other financing sources.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

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, 2022, the government had no encumbrances. Also, for the year ended June 30, 2022, 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

**Notes to the Financial Statements
June 30, 2022**

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, 2022 is recorded. The balance of the reserve account at June 30, 2022 is \$50,232.

At June 30, 2022, the government's 2022 property taxes were not scheduled to be billed until October 2022. Consequently, unbilled property taxes and deferred inflows of resources of \$4,391,786 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

**Notes to the Financial Statements
June 30, 2022**

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 \$5,000 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.

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	25 – 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

Notes to the Financial Statements June 30, 2022

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 assets 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 assets 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.

Leases

The government is a lessee for three noncancellable leases of equipment. The government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases (Continued)

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (Continued)

Compensated Absences (Continued)

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, 2022, 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 30th 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, 2022. 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 31st 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 \$4,430,811 at June 30, 2022. In the event of termination, employees forfeit all unused sick leave.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Accounting Policies

Use of Estimates

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

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.

GASB Statement No. 87, *Leases* and Implementation Guide No. 2019-3, *Leases* are effective for years ended June 30, 2022. These pronouncements change the way of accounting for leases in governmental financial statements. However, under FERC, the accounting treatment for regulated leases will not follow GASB 87.

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.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*
- Statement No. 98, *The Annual Comprehensive Financial Report*
- Implementation Guide No. 2019-3, *Leases*

The City is the lessee on several leases that are subject to the new accounting standard and implementation guide. The adoption of these pronouncements has changed its accounting for the right to use asset and lease liabilities in the government-wide financial statements.

Change in Accounting Principle and Restatement

For the fiscal year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87, *Leases*, became effective for fiscal year ending June 30, 2022. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. GASB Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability, (2) an intangible asset representing the lessee's right to use the leased asset, (3) report the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (4) interest expense on the lease liability and (5) note disclosures about the lease. A lessor must recognize (1) a lease receivable (measured at the present value of lease payments expected to be received during the lease term), (2) deferred inflow of resources, (3) interest revenue on the lease receivable and (4) note disclosures of leasing arrangements and the total inflows of resources recognized from leases. This statement provides exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements) and leases with related parties.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle and Restatement (Continued)

The implementation of GASB Statement No. 87 had the following effect on government-wide net position as reported June 30, 2021:

	<u>Governmental Activities</u>
Net position, June 30, 2021	\$ 96,092,330
Adjustments:	
Right to use asset	363,635
Lease liability	<u>(363,635)</u>
Restated net position, June 30, 2021	<u>\$ 96,092,330</u>

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2022, cash, cash equivalents and investments consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Checking and savings accounts	\$ 60,056,765	\$ 828,122	\$ 60,884,887
Cash equivalents held in trust	-	<u>16,493</u>	<u>16,493</u>
Cash and cash equivalents	<u>\$ 60,056,765</u>	<u>\$ 844,615</u>	<u>\$ 60,901,380</u>
Tennessee Local Government Investment Pool	\$ 41,426,067	\$ 340,266	\$ 41,766,333
Certificates of Deposit	<u>13,081,965</u>	<u>5,328,927</u>	<u>18,410,892</u>
Investments	<u>\$ 54,508,032</u>	<u>\$ 5,669,193</u>	<u>\$ 60,177,225</u>

Government (excluding Electric Department Fund) – At June 30, 2022, 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, 2022 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, 20223. CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2021	Additions	Deductions/Adjustments	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 55,374,018	\$ 4,844,223	\$ -	\$ 60,218,241
Construction work in progress	<u>13,676,202</u>	<u>5,078,932</u>	<u>(12,013,449)</u>	<u>6,741,685</u>
Total capital assets, not being depreciated	<u>69,050,220</u>	<u>9,923,155</u>	<u>(12,013,449)</u>	<u>66,959,926</u>
Other capital assets:				
Buildings and improvements	105,559,778	11,014,316	-	116,574,094
Bridges	2,999,476	610,246	-	3,609,722
Street network	49,147,106	-	-	49,147,106
Traffic signals	2,884,044	388,885	-	3,272,929
Computers	1,128,318	23,406	(481,782)	669,942
Equipment	8,453,318	424,027	(2,860,750)	6,016,595
Furniture	681,225	-	(140,337)	540,888
Radios	41,812	-	(16,545)	25,267
Vehicles	10,831,117	1,889,747	(535,960)	12,184,904
Leased equipment	<u>363,636</u>	<u>-</u>	<u>-</u>	<u>363,636</u>
Total other capital assets	<u>182,089,830</u>	<u>14,350,627</u>	<u>(4,035,374)</u>	<u>192,405,083</u>
Less accumulated depreciation:				
Buildings and improvements	37,749,553	2,557,577	-	40,307,130
Bridges	978,293	37,395	-	1,015,688
Street network	8,727,056	321,451	-	9,048,507
Traffic signals	1,177,028	97,691	-	1,274,719
Computers	880,008	34,907	(313,683)	601,232
Equipment	6,702,352	224,390	(2,292,933)	4,633,809
Furniture	673,262	-	(132,373)	540,889
Radios	28,813	524	(8,524)	20,813
Vehicles	6,270,829	700,129	(443,928)	6,527,030
Leased equipment	<u>-</u>	<u>153,708</u>	<u>-</u>	<u>153,708</u>
Total accumulated depreciation	<u>63,187,194</u>	<u>4,127,772</u>	<u>(3,191,441)</u>	<u>64,123,525</u>
Capital assets, being depreciated, net	<u>118,902,636</u>	<u>10,222,855</u>	<u>(843,933)</u>	<u>128,281,558</u>
Governmental activities capital assets, net	<u>\$ 187,952,856</u>	<u>\$ 20,146,010</u>	<u>\$ (12,857,382)</u>	<u>\$ 195,241,484</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,247,559
Public Safety	783,641
Public Works	1,084,660
Recreation	795,792
Community Development	<u>216,120</u>
Total depreciation expense	<u>\$ 4,127,772</u>

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

3. CAPITAL ASSETS (Continued)

Business-Type Activities	Balance June 30, 2021	Additions	Deductions/Adjustments	Balance June 30, 2022
Capital assets, not being depreciated:				
Land and land rights	\$ 7,989,001	\$ -	\$ (7,869)	\$ 7,981,132
Construction work in progress	<u>4,585,401</u>	<u>7,336,322</u>	<u>-</u>	<u>11,921,723</u>
Total capital assets, not being depreciated	<u>12,574,402</u>	<u>7,336,322</u>	<u>(7,869)</u>	<u>19,902,855</u>
Capital assets, being depreciated:				
Electric distribution system	238,249,835	9,393,111	(1,629,018)	246,013,928
Water and sewer plant	115,366,026	227,124	(290,508)	115,302,642
Machinery and equipment	6,858,528	606,882	(840,034)	6,625,376
Transportation equipment	9,928,187	424,989	(272,150)	10,081,026
Office furniture and fixtures	1,897,100	370,418	-	2,267,518
Other capital assets	<u>5,433,351</u>	<u>492,945</u>	<u>(12,456)</u>	<u>5,913,840</u>
Total capital assets, being depreciated	<u>377,733,027</u>	<u>11,515,469</u>	<u>(3,044,166)</u>	<u>386,204,330</u>
Less accumulated depreciation:				
Electric distribution system	107,565,456	8,321,098	(2,204,648)	113,681,906
Water and sewer plant	47,404,993	3,237,226	(225,945)	50,416,274
Machinery and equipment	4,362,105	443,626	(719,917)	4,085,814
Transportation equipment	5,682,892	659,644	(218,639)	6,123,897
Office furniture and fixtures	1,580,418	171,541	-	1,751,959
Other capital assets	<u>3,176,430</u>	<u>429,502</u>	<u>(1,174)</u>	<u>3,604,758</u>
Total accumulated depreciation	<u>169,772,294</u>	<u>13,262,637</u>	<u>(3,370,323)</u>	<u>179,664,608</u>
Capital assets, being depreciated, net	<u>207,960,733</u>	<u>(1,747,168)</u>	<u>326,157</u>	<u>206,539,722</u>
Business-type activities capital assets, net	<u>\$ 220,535,135</u>	<u>\$ 5,589,154</u>	<u>\$ 318,288</u>	<u>\$ 226,442,577</u>

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

Water and Sewer Department Fund	\$ 4,138,407
Electric Department Fund	<u>9,124,230</u> *
Total depreciation expense	<u>\$ 13,262,637</u>

* Of this amount, \$428,857 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, 2022**
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 6 to 15 years. The general obligation bonds and notes payable outstanding at June 30, 2022 are as follows:

Debt Issue	Issued	Original Borrowing	Interest Rates	Final Maturity	Outstanding June 30, 2022
Governmental Activities:					
Local Government Public Improvement Bonds, Series VII-L-1	06/01/2012	\$ 16,215,000	Varies	2025	\$ 5,835,000
Local Government Public Improvement Bonds, Series VII-M-1	05/29/2014	2,300,000	Varies	2032	1,600,000
General Obligation Bonds, Series 2015	05/29/2015	5,680,000	Varies	2032	5,030,000
General Obligation Refunding Bonds, Series 2020	05/29/2020	7,765,000	Varies	2032	7,565,000
Local Government Public Improvement Bonds, Series 2009B	12/30/2009	24,500,000	Varies	2034	24,500,000
Local Government Public Improvement Bonds, Series 2010A	01/14/2010	25,000,000	Varies	2033	25,000,000
Local Government Public Improvement Bonds, Series 2010B	09/15/2010	26,100,000	Varies	2031	26,100,000
Local Government Public Improvement Bonds, Series VII-N-1	05/01/2014	25,000,000	Varies	2028	16,200,000
General Obligation Refunding Bonds, Series 2018	05/31/2018	42,760,000	Varies	2028	<u>29,175,000</u>
Total governmental activities					<u>\$ 141,005,000</u>
Business-Type Activities:					
Local Government Public Improvement Bonds, Series VII-A-2	06/01/2009	\$ 8,000,000	Varies	2035	\$ 8,000,000
Local Government Public Improvement Bonds, Series VII-M-1	05/29/2014	8,525,000	Varies	2035	7,025,000
General Obligation Bond, Series 2015	05/29/2015	11,225,000	Varies	2035	7,925,000
General Obligation Bond, Series 2021	12/03/2021	4,880,000	2.00%	2028	4,180,000
Local Government Public Improvement Bonds, Series V-D-1	10/01/2010	21,700,000	Varies	2024	<u>3,245,000</u>
Sub-total general obligation bonds					<u>30,375,000</u>
Note payable to USDA	06/01/2016	1,000,000	0.00%	2026	435,185
Note payable to USDA	08/08/2016	2,000,000	0.00%	2027	907,379
Note payable to USDA	11/16/2017	1,000,000	0.00%	2028	<u>601,852</u>
Sub-total notes payable					<u>1,944,416</u>
Total business-type activities					<u>\$ 32,319,416</u>

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

4. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Governmental Activities:				
Bonds Payable:				
General obligation bonds	\$ 150,175,000	\$ -	\$ 9,170,000	\$ 141,005,000
Premium	3,024,314	-	385,996	2,638,318
Total bonds payable	153,199,314	-	9,555,996	143,643,318
Lease payable	363,635	-	146,974	216,661
Compensated absences	973,046	681,785	575,521	1,079,310
Governmental activities long-term liabilities	<u>\$ 154,535,995</u>	<u>\$ 681,785</u>	<u>\$ 10,278,491</u>	<u>\$ 144,939,289</u>
Business-Type Activities:				
Bonds Payable:				
General obligation bonds	\$ 33,620,000	\$ 4,880,000	\$ 8,125,000	\$ 30,375,000
Premium	201,283	204,625	38,613	367,295
Total bonds payable	33,821,283	5,084,625	8,163,613	30,742,295
Notes payable	2,388,866	-	444,450	1,944,416
Compensated absences	4,910,744	1,672,005	1,008,953	5,573,796
Business-type activities long-term liabilities	<u>\$ 41,120,893</u>	<u>\$ 6,756,630</u>	<u>\$ 9,617,016</u>	<u>\$ 38,260,507</u>

The debt service requirements for the government's general obligation bonds and notes payable (direct borrowings, see Note 19) are as follows:

	Governmental Activities		Business-Type Activities						Grand Total	
	Bonds		Bonds		Direct Borrowings		Total			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 9,610,000	\$ 3,728,291	\$ 3,415,000	\$ 854,035	\$ 444,444	\$ -	\$ 3,859,444	\$ 854,035	\$ 13,469,444	\$ 4,582,326
2024	10,075,000	3,370,292	3,310,000	773,838	444,444	-	3,754,444	773,838	13,829,444	4,144,130
2025	10,535,000	2,993,893	1,775,000	695,739	444,444	-	2,219,444	695,739	12,754,444	3,689,632
2026	10,525,000	2,652,672	1,740,000	648,139	435,185	-	2,175,185	648,139	12,700,185	3,300,811
2027	10,705,000	2,369,833	1,750,000	611,457	129,602	-	1,879,602	611,457	12,584,602	2,981,290
2028-2032	63,355,000	7,978,439	10,585,000	2,328,227	46,297	-	10,631,297	2,328,227	73,986,297	10,306,666
2033-2035	26,200,000	1,167,658	7,800,000	510,940	-	-	7,800,000	510,940	34,000,000	1,678,598
	<u>\$141,005,000</u>	<u>\$24,261,078</u>	<u>\$ 30,375,000</u>	<u>\$ 6,422,375</u>	<u>\$ 1,944,416</u>	<u>\$ -</u>	<u>\$ 32,319,416</u>	<u>\$ 6,422,375</u>	<u>\$173,324,416</u>	<u>\$30,683,453</u>

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

4. LONG-TERM LIABILITIES (Continued)

General government other long-term liabilities including compensated absences, pension liabilities and OPEB liabilities are liquidated by the City's general fund. These same liabilities in the business-type activity are liquidated by the City's electric department and water and sewer department funds.

5. LEASES PAYABLE

During the current fiscal year, the government adopted GASB 87 and recorded three existing leases payable.

The government has entered into a multi-year lease agreement for the use of a radio tower where it has installed public safety communications equipment. The lease was amended on October 8, 2019 for an additional five year term, including five optional years (if exercised). It is anticipated that the government will exercise the optional years. An initial lease liability was recorded on the transition date in the amount of \$106,009. As of June 30, 2022, the value of the lease liability was \$92,067. The government is required to make annual principal and interest payments ranging from \$19,200 to \$22,804. The lease has an interest rate of 4.96%. The right-to-use asset equipment has a six-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$88,341 and had accumulated amortization of \$17,668.

The government has entered into a four-and-a-half-year lease agreement for mowing equipment. An initial lease liability was recorded on the transition date in the amount of \$108,125. As of June 30, 2022, the value of the lease liability was \$63,310. The government is required to make monthly principal and interest payments of \$4,097. The lease has an interest rate of 4.96%. The right-to-use asset equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$61,786 and had accumulated amortization of \$46,339.

The government has entered into a four-year lease agreement for golf carts. An initial lease liability was recorded on the transition date in the amount of \$149,501. As of June 30, 2022, the value of the lease liability was \$61,284. The government is required to make monthly principal and interest payments of \$7,804. The lease has an interest rate of 4.96%. The right-to-use asset equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$59,800 and had accumulated amortization of \$89,701.

The future principal and interest lease payments on these leases is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 123,678	\$ 7,791	\$ 131,469
2024	32,981	3,975	36,956
2025	18,311	2,976	21,287
2026	19,965	2,067	22,032
2027	<u>21,726</u>	<u>1,078</u>	<u>22,804</u>
	<u>\$ 216,661</u>	<u>\$ 17,887</u>	<u>\$ 234,548</u>

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

6. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

At June 30, 2022, the government had the following derivative instruments outstanding:

<u>Instrument</u>	<u>Type</u>	<u>Objective</u>	<u>Original Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
Governmental activities						
\$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
Business-type activities						
\$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, 2022, classified by type, and the changes in fair value of such derivative instrument from the year then ended as reported in the 2022 financial statements are as follows:

<u>Type</u>	<u>Changes in Fair Value</u>		<u>Fair Value at 6/30/2022</u>		<u>6/30/2022 Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental activities					
Investment derivative - Pay fixed interest rate swaps: \$19.27 M Swap	Investment gain	\$ 392,246	Debt	\$ (265,417)	\$ 5,835,000
Investment derivative - Pay fixed interest rate swaps: \$38.15 M Swap	Investment gain	\$ 4,556,003	Debt	\$ (5,330,384)	\$ 38,150,000
Hedging derivative - Pay fixed interest rate swaps: \$36.85 M Swap	Investment gain	\$ 1,110,749	N/A	\$ -	\$ -
Business-type activities					
Hedging derivative - Pay fixed interest rate swaps: \$8 M Swap	Deferred Outflow of Resources	\$ (1,078,626)	Debt	\$ (1,610,926)	\$ 8,000,000
Investment derivative - Pay fixed interest rate swap: \$17 M Swap	Investment loss	\$ (113,185)	Debt	\$ (113,185)	\$ 3,460,000

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

6. 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. One of the swap agreements described above met the effectiveness criteria, and therefore is classified as a hedging derivative. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported on the statement of activities in the period in which they occur. Three 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, 2022, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.395%
Variable payment from counterparty	% of LIBOR	<u>-1.742%</u>
Net interest rate swap payments		2.653%
True interest costs		<u>1.096%</u>
Synthetic interest rate on bonds		<u>3.749%</u>

Fair value. As of June 30, 2022, the swap had a negative fair value of \$(265,417). 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, 2022**

6. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Governmental Activities (Continued)

Credit risk. As of June 30, 2022, 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+/A-" by Moody's, Standard and Poor's and Fitch, respectively as of June 30, 2022, with its Credit Support Provider, Deutsche Bank, rated A2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. As noted above, the swap exposes the government to basis risk should the variable-rate bond coupon payment increase to above the net interest rate swap payments, thereby increasing the synthetic rate on the bonds. If a change occurs that results in the variable-rate bond coupon to be below net interest rate swap payments, 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, 2022, 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	
2023	\$ 1,850,000	\$ 63,969	\$ 154,791	\$ 2,068,760
2024	1,945,000	43,688	105,714	2,094,402
2025	<u>2,040,000</u>	<u>22,365</u>	<u>54,117</u>	<u>2,116,482</u>
	<u>\$ 5,835,000</u>	<u>\$ 130,022</u>	<u>\$ 314,622</u>	<u>\$ 6,279,644</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

**Notes to the Financial Statements
June 30, 2022**

6. 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, 2022, 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>-1.629%</u>
Net interest rate swap payments		1.861%
True interest costs		<u>1.096%</u>
Synthetic interest rate on bonds		<u>2.957%</u>

Fair value. As of June 30, 2022, the swap had a negative fair value of (\$5,330,384). 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, 2022, 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+/A-" by Moody's, Standard & Poor's and Fitch, respectively as of June 30, 2022, with its Credit Support Provider, Deutsche Bank, rated A2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

6. 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 variable-rate bond coupon payment increase to above the net interest rate swap payments, thereby increasing the synthetic rate on the bonds. If a change occurs that results in the variable-rate bond coupon payment to be below net interest rate swap payments, 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, 2022, 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	
2023	\$ -	\$ 418,250	\$ 709,975	\$ 1,128,225
2024	-	418,250	709,975	1,128,225
2025	-	418,250	709,975	1,128,225
2026	-	418,250	709,975	1,128,225
2027	-	418,250	709,975	1,128,225
2028 - 2032	-	2,091,249	3,549,877	5,641,126
2033 - 2034	<u>38,150,000</u>	<u>431,953</u>	<u>733,238</u>	<u>39,315,191</u>
	<u>\$ 38,150,000</u>	<u>\$ 4,614,452</u>	<u>\$ 7,832,990</u>	<u>\$ 50,597,442</u>

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

6. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

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, 2022, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.410%
Variable payment from counterparty	% of LIBOR	<u>-1.742%</u>
Net interest rate swap payments		2.668%
True interest costs		<u>1.629%</u>
Synthetic interest rate on bonds		<u>4.297%</u>

Fair value. As of June 30, 2022, the swap had a negative fair value of \$(1,610,926). 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, 2022**

6. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Business-Type Activities (Continued)

Credit risk. As of June 30, 2022, 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+/A-" by Moody's, Standard & Poor's and Fitch, respectively as of June 30, 2022, with its Credit Support Provider, Deutsche Bank, rated A2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk. As noted above, the swap exposes the government to basis risk should the variable-rate bond coupon payment increase to above the net interest rate swap payments, thereby increasing the synthetic rate on the bonds. If a change occurs that results in the variable-rate bond coupon payment to be below net interest rate swap payments, 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, 2022, 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	
2023	\$ -	\$ 130,291	\$ 213,425	\$ 343,716
2024	-	130,291	213,425	343,716
2025	-	130,291	213,425	343,716
2026	-	130,291	213,425	343,716
2027	-	130,291	213,425	343,716
2028 - 2032	3,950,000	572,467	937,735	5,460,202
2033 - 2035	4,050,000	135,178	221,427	4,406,605
	<u>\$ 8,000,000</u>	<u>\$ 1,359,100</u>	<u>\$ 2,226,287</u>	<u>\$ 11,585,387</u>

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

6. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)

Derivative Swap Agreement Detail (Continued)

Business-Type Activities (Continued)

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 swap had a notional amount of \$17 million and the associated variable-rate bond has a \$17 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series V-D-1 Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index. (the "SIFMA"), but due to the disruption in the credit markets were trading at a premium to SIFMA as of the date of this report. The related swap agreement matures on June 1, 2024. As of June 30, 2022, 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>-2.250%</u>
Net interest rate swap payments		2.290%
True interest costs		<u>0.930%</u>
Synthetic interest rate on bonds		<u>3.020%</u>

Fair value. As of June 30, 2022, the swap had a negative fair value of \$(113,185). 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, 2022, 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 "A3/BBB+/A-" by Moody's, Standard & Poor's and Fitch, respectively as of June 30, 2022, with its Credit Support Provider, Deutsche Bank, rated A2/A-/A- by Moody's, Standard & Poor's and Fitch, respectively.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 20226. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (Continued)Derivative Swap Agreement Detail (Continued)**Business-Type Activities (Continued)**

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, 2022, 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	
2023	\$ 1,685,000	\$ 28,873	\$ 66,662	\$ 1,780,535
2024	1,560,000	13,299	34,380	1,607,679
2025	-	-	4,119	4,119
	<u>\$ 3,245,000</u>	<u>\$ 42,172</u>	<u>\$ 105,161</u>	<u>\$ 3,392,333</u>

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 government has four bank loans that are tied to LIBOR along with its five interest rate swap agreements. On June 30, 2023, LIBOR is expected to be discontinued. This change will affect the government's loan and interest rate swaps that use LIBOR as the index. As a result of this planned phaseout of LIBOR, the government anticipates transitioning out of the LIBOR indexes on its loans and interest rate swap agreements prior to the end of fiscal year 2023.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements June 30, 2022

7. 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, 2022:

- \$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)
- \$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)

8. JOINT USE AGREEMENTS

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. Revenue and expenses from these arrangements for the year ended June 30, 2022 were \$2,192,518 and \$130,760, respectively.

9. 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, 2022 through February 28, 2023 will not exceed \$5,525,682. This plan does not include employees of the government's Electric Department Fund.

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, 2022, 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 \$2,040,636. Management believes this reserve fund is adequate to cover unpaid claims existing at year end.

10. 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, 2022, the two plans had the following balances reported in the government-wide financial statements:

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

10. RETIREMENT PLANS (Continued)

	Total Pension Liability	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense/ (Negative Pension Expense)
TCRS (proportionate share)	\$ 39,339,999	\$ (7,204,460)	\$ 3,925,401	\$ 6,004,419	\$ (1,089,880)
SEPP	54,585,500	7,209,157	7,671,448	7,043,708	1,246,792
Total pension plans	<u>\$ 93,925,499</u>	<u>\$ 4,697</u>	<u>\$ 11,596,849</u>	<u>\$ 13,048,127</u>	<u>\$ 156,912</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.

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

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

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

10. RETIREMENT PLANS (Continued)

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

General Information about the Pension Plan (Continued)

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

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	142
Active employees	<u>253</u>
	<u>459</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, 2022, the actuarially determined contribution (ADC) for the City of Sevierville, Tennessee was \$25,892; however, the government contributed \$287,688 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, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

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

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent and modified mortality assumptions.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

10. RETIREMENT PLANS (Continued)

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

Net Pension Liability (Asset) (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. 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 2.25 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	4.88%	31.00%
Developed market international equity	5.37%	14.00%
Emerging market international equity	6.09%	4.00%
Private equity and strategic lending	6.57%	20.00%
U.S. fixed income	1.20%	20.00%
Real estate	4.38%	10.00%
Short-term securities	0.00%	<u>1.00%</u>
Total		<u><u>100.00%</u></u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 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, 2022

10. 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*	\$ 33,311,930	\$ 37,141,131	\$ (3,829,201)
Changes for the year:			
Service cost	961,979	-	961,979
Interest	2,448,415	-	2,448,415
Differences between expected and actual experience	137,661	-	137,661
Changes in assumptions	3,485,337	-	3,485,337
Contributions - employer	-	248,458	(248,458)
Contributions - employees	-	621,145	(621,145)
Net investment income	-	9,560,929	(9,560,929)
Benefit payments, including refunds of employee contributions	(1,005,323)	(1,005,323)	-
Administrative expense	-	(21,881)	21,881
Net changes	<u>6,028,069</u>	<u>9,403,328</u>	<u>(3,375,259)</u>
Ending balance*	<u>\$ 39,339,999</u>	<u>\$ 46,544,459</u>	<u>\$ (7,204,460)</u>

*The measurement date of the beginning balance was June 30, 2020 and the measurement date of the ending balance was June 30, 2021. The reporting date of the beginning balance is June 30, 2021 and the reporting date of the ending balance is June 30, 2022.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the government calculated using the discount rate of 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Government's net pension liability (asset)	\$ (967,137)	\$ (7,204,460)	\$ (12,311,238)

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, 2022, the government recognized pension expense (negative pension expense) of (\$1,089,894).

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

10. 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, 2022, 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	\$ 287,688	\$ -
Differences between expected and actual experience	326,888	903,291
Net difference between projected and actual earnings on pension plan investments	-	5,101,128
Changes in assumptions	<u>3,310,825</u>	<u>-</u>
Total	<u>\$ 3,925,401</u>	<u>\$ 6,004,419</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:

2023	\$ (1,009,721)
2024	(910,944)
2025	(873,414)
2026	(946,539)
2027	468,163
Thereafter	905,749

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, 2022, City of Sevierville reported a payable of \$42,802 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

10. 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 62nd 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, 2021, the following employees were covered by the benefit terms:

Active employees	117
Terminated vested and disabled participants	12
Retirees	<u>32</u>
Total	<u>161</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, 2022, the mandatory employee contribution rate was 4%, the Electric Department Fund's average contribution rate was 25.37%, and the government's average contribution rate was 12.11%.

Net Pension Liability

The government's net pension liability was measured as of June 30, 2021, 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

**Notes to the Financial Statements
June 30, 2022**

10. 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, 2021 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	30 years as of July 1, 2020
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	RP2014 Blue Collar Mortality Table, adjusted to 2006 with Scale MP-2019
Disabled mortality	RP2014 Disability Mortality Table, adjusted to 2006 with Scale MP-2019

The actuarial assumptions used in the June 30, 2021 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	20.00%	5.59%
US Equity - Small/Mid Cap	20.00%	6.62%
Non-US Equity - Developed	12.00%	6.41%
Non-US Equity - Emerging	8.00%	8.35%
US Corporate Bonds - Core	21.00%	1.12%
Non-US Debt - Developed	5.00%	0.28%
US Treasuries (Cash Equivalents)	1.00%	-0.32%
Real Estate	8.00%	5.29%
Hedge Funds	5.00%	3.39%
Total	<u>100.00%</u>	

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 2022

10. 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*	\$ 53,260,334	\$ 37,540,015	\$ 15,720,319
Changes for the year:			
Service cost	1,326,871	-	1,326,871
Interest	3,803,474	-	3,803,474
Differences between expected and actual experience	684,727	-	684,727
Changes of assumptions	(163,200)	-	(163,200)
Contributions - employer	-	1,948,838	(1,948,838)
Contributions - employees	-	349,841	(349,841)
Net investment income	-	11,898,197	(11,898,197)
Benefit payments, including refunds of employee contributions	(4,326,706)	(4,326,706)	-
Administrative expense	-	(33,842)	33,842
Net changes	<u>1,325,166</u>	<u>9,836,328</u>	<u>(8,511,162)</u>
Ending balance*	<u>\$ 54,585,500</u>	<u>\$ 47,376,343</u>	<u>\$ 7,209,157</u>

* The measurement date of the beginning balance was June 30, 2020 and the measurement date of the ending balance was June 30, 2021. The reporting date of the beginning balance is June 30, 2021 and the reporting date of the ending balance is June 30, 2022.

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	\$ 14,060,698	\$ 7,209,157	\$ 1,407,570

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

**Notes to the Financial Statements
June 30, 2022**

10. 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, 2022, the government recognized pension expense of \$1,246,792. At June 30, 2022, 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	\$ 2,087,820	\$ -
Differences between expected and actual experience	5,449,067	278,548
Net difference between projected and actual earnings on plan investments	-	6,016,405
Changes in assumptions	-	594,202
Changes in proportionate share	<u>154,553</u>	<u>154,553</u>
Total	<u>\$ 7,691,440</u>	<u>\$ 7,043,708</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:

2023	\$ (554,932)
2024	(297,547)
2025	(429,183)
2026	(1,020,998)
2027	563,373
Thereafter	299,199

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

10. 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, 2022, employee contributions totaled \$514,955 and the Electric Department Fund recognized pension expense of \$256,137 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, 2022 was \$7,146 and was recognized as pension expense.

11. 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, 2022, the two plans had the following balances reported in the government-wide financial statements:

	<u>Total OPEB Liability</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
SWS Plan	\$ 984,800	\$ 984,800	\$ 205,500	\$ 99,000	\$ 79,100
SCES Plan	<u>7,129,911</u>	<u>1,620,028</u>	<u>2,562,326</u>	<u>1,256,352</u>	<u>277,124</u>
Total OPEB plans	<u>\$ 8,114,711</u>	<u>\$ 2,604,828</u>	<u>\$ 2,767,826</u>	<u>\$ 1,355,352</u>	<u>\$ 356,224</u>

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

11. 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 20% of the full premium.

Employees Covered by Benefit Terms

At July 1, 2021 (the valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Active employees	<u>25</u>
Total	<u>37</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 \$984,800 was measured as of July 1, 2021 and was determined by an actuarial valuation as of that date.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

11. 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	1.92 percent
Salary scale	2.50 percent
Healthcare cost trend rates	7.00 percent for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, using two-dimensional mortality improvement scale MP-2021.
Actuarial cost method	Entry Age Actuarial Cost Method.

The discount rate has been set equal to 1.92% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2020 to July 1, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance*	<u>\$ 994,100</u>
Changes for the year:	
Service cost	23,000
Interest	23,800
Differences between expected and actual experience	(8,700)
Benefit payments	(90,400)
Changes of assumptions	<u>43,000</u>
Net changes	<u>(9,300)</u>
Ending balance*	<u>\$ 984,800</u>

*The measurement date of the beginning balance was June 30, 2020 and the measurement date of the ending balance was June 30, 2021. The reporting date of the beginning balance is June 30, 2021 and the reporting date of the ending balance is June 30, 2022.

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

11. 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 (0.92 percent) or 1-percentage point higher (2.92 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Government's total OPEB liability	\$ 1,026,600	\$ 984,800	\$ 943,500

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 (6.00 percent decreasing to 4.00 percent) or 1-percentage point higher (8.00 percent decreasing to 6.00 percent):

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Government's total OPEB liability	\$ 957,800	\$ 984,800	\$ 1,015,500

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

For the year ended June 30, 2022, the government recognized OPEB expense of \$79,100. At June 30, 2022, 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	\$ 140,500	\$ -
Differences between expected and actual experience	131,600	40,900
Changes of assumptions	<u>73,900</u>	<u>58,100</u>
	<u>\$ 346,000</u>	<u>\$ 99,000</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:

2023	\$ 24,800
2024	24,800
2025	24,800
2026	24,800
2027	5,900
Thereafter	1,400

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

11. 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, 2022

11. 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

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 improvements 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	26.00%	5.86%
US Equity - Small/Mid Cap	28.00%	7.04%
Non-US Equity - Developed	3.00%	6.59%
Non-US Equity - Emerging	2.00%	8.83%
US Corporate Bonds - Core	12.00%	1.24%
US Corporate Bonds - High Yield	7.00%	3.64%
US Treasuries (Cash Equivalents)	7.00%	-0.22%
TIPS (Inflation Protected)	5.00%	0.44%
Real Estate	<u>10.00%</u>	5.41%
Total	<u>100.00%</u>	

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Financial Statements
June 30, 202211. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)Sevier County Electric System Retiree Medical, Dental and Life Insurance Plan (Continued)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 in the amount of \$250,000. Based on those assumptions, SCES Plan's fiduciary net position was projected to be available to make all projected future benefit payments 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.

Change in the Net OPEB Liability

	<u>Increase (Decreases)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Beginning balance*	\$ 6,645,795	\$ 4,167,455	\$ 2,478,340
Changes for the year:			
Service cost	217,682	-	217,682
Interest	428,992	-	428,992
Differences between expected and actual experience	373,072	-	373,072
Changes in assumptions	-	-	-
Contributions - Employer	-	710,630	(710,630)
Net investment income	-	1,171,254	(1,171,254)
Benefit payments	(535,630)	(535,630)	-
Administrative expense	-	(3,826)	3,826
Net changes	<u>484,116</u>	<u>1,342,428</u>	<u>(858,312)</u>
Ending balance*	<u>\$ 7,129,911</u>	<u>\$ 5,509,883</u>	<u>\$ 1,620,028</u>

*The measurement date of the beginning balance was June 30, 2020 and the measurement date of the ending balance was June 30, 2021. The reporting date of the beginning balance is June 30, 2021 and the reporting date of the ending balance is June 30, 2022.

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Government's net OPEB liability	\$ 2,561,759	\$ 1,620,028	\$ 791,228

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

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

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

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 (6% decreasing to 4%) or 1-percentage-point higher (8% decreasing to 6%) than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Government's net OPEB liability	\$ 791,779	\$ 1,620,028	\$ 2,589,912

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, 2022, the Electric Department Fund recognized OPEB Plan expense of \$277,124. At June 30, 2022, 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>
Contributions subsequent to the measurement date	\$ 1,000,000	\$ -
Changes of assumptions	703,592	-
Differences between expected and actual experience	858,734	554,021
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>702,331</u>
Total	<u>\$ 2,562,326</u>	<u>\$ 1,256,352</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:

2023	\$ (86,698)
2024	(76,648)
2025	(68,781)
2026	(81,664)
2027	97,134
Thereafter	522,631

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

12. LITIGATION

At June 30, 2022, several lawsuits are pending in which the City of Sevierville and SCES is involved. Government management and the government's legal counsel believe these suits will not result in any material unfavorable outcome to the government.

13. 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, 2021, the joint venture's financial statements reflected net position totaling \$3,080,533 and a change in net position of \$39,194. Complete audited financial statements of Sevierville/Sevier County Joint Venture for the year ended June 30, 2021 (latest available) can be obtained from:

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

14. INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2022 are as follows:

<u>Due From:</u>	<u>Due to: Insurance Fund</u>
Flexible spending fund	\$ 6,254
	<u>\$ 6,254</u>

15. INTERFUND TRANSFERS

Operating transfers for the year ended June 30, 2022 are as follows:

<u>Transfers out:</u>	<u>Transfers in:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Budget Fund</u>	<u>Central Business Improvement District Fund</u>	
General Fund	\$ -	\$ 8,452,502	\$ 3,100,000	\$ 11,552,502
Water and Sewer Department Fund	176,565	-	-	176,565
Electric Department Fund	<u>2,114,688</u>	<u>-</u>	<u>-</u>	<u>2,114,688</u>
	<u>\$ 2,291,253</u>	<u>\$ 8,452,502</u>	<u>\$ 3,100,000</u>	<u>\$ 13,843,755</u>

CITY OF SEVIERVILLE, TENNESSEE

**Notes to the Financial Statements
June 30, 2022**

15. INTERFUND TRANSFERS (Continued)

The purpose of the transfers from the General Fund to the 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.

16. 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.

17. 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.

18. 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

**Notes to the Financial Statements
June 30, 2022**

19. 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>
2023	\$ 444,444
2024	444,444
2025	444,444
2026	416,667
2027	<u>185,186</u>
	<u>\$ 1,935,185</u>

20. SUBSEQUENT EVENTS

In July 2022, the City issued General Obligation Bonds, Series 2022 in the amount of \$95,880,000. Of this amount, \$27,240,000 was allocated to the General Fund and \$68,640,000 was allocated to the Water/Sewer Fund.

Management has evaluated subsequent events through December 21, 2022, 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.

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*

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 961,979	\$ 890,542	\$ 901,643	\$ 849,582	\$ 769,661	\$ 757,297	\$ 740,440	\$ 724,323
Interest	2,448,415	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	137,661	289,009	(207,989)	(319,359)	(734,616)	(761,827)	(220,996)	(315,755)
Change of assumptions	3,485,337	-	-	-	696,410	-	-	-
Benefit payments, including refunds of employee contributions	(1,005,323)	(995,191)	(843,771)	(799,691)	(575,690)	(554,379)	(452,062)	(446,307)
Net change in total pension liability	6,028,069	2,450,316	1,978,678	1,731,609	2,072,791	1,263,246	1,760,102	1,538,593
Total pension liability - beginning	33,311,930	30,861,614	28,882,936	27,151,327	25,078,536	23,815,290	22,055,188	20,516,595
Total pension liability - ending (a)	\$ 39,339,999	\$ 33,311,930	\$ 30,861,614	\$ 28,882,936	\$ 27,151,327	\$ 25,078,536	\$ 23,815,290	\$ 22,055,188
Plan fiduciary net position								
Contributions - employer	\$ 248,458	\$ 226,484	\$ 383,584	\$ 762,094	\$ 877,726	\$ 859,168	\$ 865,145	\$ 835,857
Contributions - employee	621,145	566,213	547,979	544,353	507,007	489,836	493,240	472,237
Net investment income	9,560,929	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	(1,005,323)	(995,191)	(843,771)	(799,691)	(575,690)	(554,379)	(452,062)	(446,307)
Administrative expense	(21,881)	(20,613)	(20,494)	(22,297)	(19,421)	(16,236)	(11,083)	(8,632)
Net change in plan fiduciary net position	9,403,328	1,537,340	2,532,296	3,000,625	3,810,207	1,446,895	1,623,272	4,093,016
Plan fiduciary net position - beginning	37,141,131	35,603,791	33,071,495	30,070,870	26,260,663	24,813,768	23,190,496	19,097,480
Plan fiduciary net position - ending (b)	\$ 46,544,459	\$ 37,141,131	\$ 35,603,791	\$ 33,071,495	\$ 30,070,870	\$ 26,260,663	\$ 24,813,768	\$ 23,190,496
Net pension liability (asset) - ending (a)-(b)	\$ (7,204,460)	\$ (3,829,201)	\$ (4,742,177)	\$ (4,188,559)	\$ (2,919,543)	\$ (1,182,127)	\$ (998,478)	\$ (1,135,308)
Plan fiduciary net position as a percentage of total pension liability	118.31%	111.49%	115.37%	114.50%	110.75%	104.71%	104.19%	105.15%
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
Net pension liability (asset) as a percentage of covered payroll	-57.99%	-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

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

Last 10 Measurement Periods Ended June 30*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 25,892	\$ 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>287,688</u>	<u>248,458</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>(261,796)</u>	\$ <u>(228,581)</u>	\$ <u>(129,096)</u>	\$ <u>(215,903)</u>	\$ <u>(393,649)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 14,384,406	\$ 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%	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*

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 1,326,871	\$ 1,311,414	\$ 901,368	\$ 919,057	\$ 941,813	\$ 904,158	\$ 858,202	\$ 884,956
Interest	3,803,474	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	684,727	1,307,555	2,453,600	2,659,058	891,017	620,193	458,876	-
Change of assumptions	(163,200)	(139,324)	(250,588)	-	-	-	(858,673)	-
Benefit payments, including refunds of employee contributions	(4,326,706)	(2,695,699)	(1,663,669)	(6,814,925)	(2,139,840)	(1,789,196)	(1,031,984)	(1,099,953)
Net change in total pension liability	1,325,166	3,398,031	4,824,862	(38,151)	2,851,630	5,176,807	2,075,650	2,202,198
Total pension liability - beginning	53,260,334	49,862,303	45,037,441	45,075,592	42,223,962	37,047,155	34,971,505	32,769,307
Total pension liability - ending (a)	<u>\$ 54,585,500</u>	<u>\$ 53,260,334</u>	<u>\$ 49,862,303</u>	<u>\$ 45,037,441</u>	<u>\$ 45,075,592</u>	<u>\$ 42,223,962</u>	<u>\$ 37,047,155</u>	<u>\$ 34,971,505</u>
Plan fiduciary net position								
Contributions - employer	\$ 1,948,838	\$ 4,374,479	\$ 2,294,600	\$ 2,370,127	\$ 1,523,579	\$ 6,150,118	\$ 1,754,047	\$ 2,487,053
Contributions - employee	349,841	339,905	299,647	301,081	298,425	297,303	313,487	323,006
Net investment income	11,898,197	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	(4,326,706)	(2,695,699)	(1,663,669)	(6,814,925)	(2,139,840)	(1,789,196)	(1,031,984)	(1,099,953)
Administrative expense	(33,842)	(29,272)	(26,160)	(26,938)	(25,274)	(9,932)	(5,348)	(3,643)
Net change in plan fiduciary net position	9,836,328	2,395,399	2,609,524	(556,692)	3,589,543	4,359,297	1,759,146	4,390,842
Plan fiduciary net position - beginning	37,540,015	35,144,616	32,535,092	33,091,784	29,502,240	25,142,943	23,383,797	18,992,955
Plan fiduciary net position - ending (b)	<u>\$ 47,376,343</u>	<u>\$ 37,540,015</u>	<u>\$ 35,144,616</u>	<u>\$ 32,535,092</u>	<u>\$ 33,091,783</u>	<u>\$ 29,502,240</u>	<u>\$ 25,142,943</u>	<u>\$ 23,383,797</u>
Net pension liability - ending (a)-(b)	<u>\$ 7,209,157</u>	<u>\$ 15,720,319</u>	<u>\$ 14,717,687</u>	<u>\$ 12,502,349</u>	<u>\$ 11,983,809</u>	<u>\$ 12,721,722</u>	<u>\$ 11,904,212</u>	<u>\$ 11,587,708</u>
Plan fiduciary net position as a percentage of total pension liability	86.79%	70.48%	70.48%	72.24%	73.41%	69.87%	67.87%	66.87%
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
Net pension liability as a percentage of covered payroll	83.62%	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.

CITY OF SEVIERVILLE, TENNESSEE

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

Last 10 Measurement Periods Ended June 30*

	<u>2022</u>	<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	\$ 2,016,018	\$ 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>2,086,397</u>	<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>(70,379)</u>	\$ <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	\$ 8,922,347	\$ 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	23.38%	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

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

Last 10 Measurement Periods Ended June 30*

	<u>2022</u>	<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	-15.64%	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

**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*

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 23,000	\$ 20,100	\$ 20,800	\$ 19,000	\$ 18,000
Interest	23,800	31,900	30,100	33,700	34,000
Differences between expected and actual experience	(8,700)	(46,200)	201,700	21,400	-
Changes of assumptions	43,000	31,700	24,500	(104,500)	-
Benefit payments	(90,400)	(84,600)	(91,700)	(80,800)	(61,000)
Net change in total OPEB liability	(9,300)	(47,100)	185,400	(111,200)	(9,000)
Total OPEB liability - beginning	994,100	1,041,200	855,800	967,000	976,000
Total OPEB liability - ending	<u>\$ 984,800</u>	<u>\$ 994,100</u>	<u>\$ 1,041,200</u>	<u>\$ 855,800</u>	<u>\$ 967,000</u>
Covered-employee payroll	\$ 1,334,000	\$ 1,492,700	\$ 1,492,700	\$ 1,627,000	\$ 1,627,000
Net OPEB liability as a percentage of covered payroll	73.82%	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*

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 217,682	\$ 190,927	\$ 94,480	\$ 92,176	\$ 105,489
Interest	428,992	426,933	370,046	341,563	394,072
Differences between expected and actual experience	373,072	411,100	127,425	174,814	(1,108,046)
Changes of assumptions	-	522,420	251,859	-	218,715
Benefit payments, including refunds of employee contributions	(535,630)	(387,912)	(271,867)	(344,143)	(241,124)
Net change in total OPEB liability	484,116	1,163,468	571,943	264,410	(630,894)
Total OPEB liability - beginning	6,645,795	5,482,327	4,910,384	4,645,974	5,276,868
Total OPEB liability - ending (a)	<u>\$ 7,129,911</u>	<u>\$ 6,645,795</u>	<u>\$ 5,482,327</u>	<u>\$ 4,910,384</u>	<u>\$ 4,645,974</u>
Plan fiduciary net position					
Contributions - employer	\$ 710,630	\$ 787,912	\$ 782,924	\$ 594,143	\$ 491,124
Net investment income	1,171,254	186,479	251,156	226,508	202,278
Benefit payments, including refunds of employee contributions	(535,630)	(387,912)	(271,867)	(344,143)	(241,124)
Administrative expense	(3,826)	(3,036)	(2,613)	(2,100)	(1,711)
Net change in plan fiduciary net position	1,342,428	583,443	759,600	474,408	450,567
Plan fiduciary net position - beginning	4,167,455	3,584,012	2,824,412	2,350,004	1,899,437
Plan fiduciary net position - ending (b)	<u>\$ 5,509,883</u>	<u>\$ 4,167,455</u>	<u>\$ 3,584,012</u>	<u>\$ 2,824,412</u>	<u>\$ 2,350,004</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 1,620,028</u>	<u>\$ 2,478,340</u>	<u>\$ 1,898,315</u>	<u>\$ 2,085,972</u>	<u>\$ 2,295,970</u>
Plan fiduciary net position as a percentage of total OPEB liability	77.28%	62.71%	65.37%	57.52%	50.58%
Covered payroll	\$ 10,327,366	\$ 9,799,666	\$ 9,231,145	\$ 8,766,256	\$ 9,711,165
Net OPEB liability as a percentage of covered payroll	15.69%	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

Schedule of Investment Returns

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

Last 10 Measurement Periods Ended June 30*

	<u>2022</u>	<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	-12.96%	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

Notes to Required Supplementary Information

Last 10 Measurement Periods Ended June 30

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 of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions. In 2021, the following assumptions were changed: assumed discount rate was lowered from 7.25% to 6.75%; inflation was lowered from 2.50% to 2.25%; the assumed monthly cost-of-living adjustment for monthly retirement benefits was lowered from 3.0% to 2.75%; and modified mortality assumptions.

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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	Fair Market Value
Inflation	2.25 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	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2020 (generational projection)
Cost of Living Adjustments	2.125 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, 2019, the mortality generational scaling was updated from the MP2018 generational scale to the MP2019 generational scale. As of July 1, 2020, the mortality improvement was updated from the MP2019 generational scale to the MP2020 generational scale. As of July 1, 2021, the mortality improvement was updated MP2020 generational scale to the MP2021 generational scale.

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	30 years as of July 1, 2020
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	Varies by age
Mortality	RP 2014 Blue Collar Mortality Table Adjusted to 2006 with MP-2021

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Notes to Required Supplementary Information (Continued)**Last 10 Measurement Periods Ended June 30**

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. For the measurement period ended June 30, 2021, the healthcare cost trend rate was changed from 0.00 percent to 7.00 percent and the discount rate was changed from 3.13 percent to 1.92 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.

**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.

CITY OF SEVIERVILLE, TENNESSEE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue Funds			Capital Budget Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Enforcement Fund	Total		
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 9,162,394	\$ 9,162,394
Due from other governments	-	-	-	429,210	429,210
Restricted assets:					
Cash and cash equivalents	484,203	346,462	830,665	-	830,665
Due from other governments	108,393	-	108,393	-	108,393
Total assets	\$ 592,596	\$ 346,462	\$ 939,058	\$ 9,591,604	\$ 10,530,662
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 310,292	\$ 310,292
Funds held in trust	-	22,659	22,659	-	22,659
Total liabilities	-	22,659	22,659	310,292	332,951
Deferred inflows of resources:					
Unavailable revenue - grant revenue	-	-	-	421,506	421,506
Total deferred inflows of resources	-	-	-	421,506	421,506
Fund balances:					
Restricted	592,596	323,803	916,399	-	916,399
Assigned	-	-	-	8,859,806	8,859,806
Total fund balances	592,596	323,803	916,399	8,859,806	9,776,205
Total liabilities, deferred inflows and fund balances	\$ 592,596	\$ 346,462	\$ 939,058	\$ 9,591,604	\$ 10,530,662

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, 2022**

	State Street Aid Fund	Drug Enforcement Fund	Total Special Revenue Funds	Capital Budget Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental revenue	\$ 616,839	\$ 5,172	\$ 622,011	\$ 648,394	\$ 1,270,405
Fines, forfeits and penalties	-	136,161	136,161	-	136,161
Other revenues	-	21,484	21,484	16,479	37,963
Total revenues	616,839	162,817	779,656	664,873	1,444,529
Expenditures:					
Contractual services	-	2,500	2,500	54,989	57,489
Building materials	550,000	-	550,000	-	550,000
Supplies	-	5,093	5,093	525,000	530,093
Grants, contributions and other	-	53,394	53,394	-	53,394
Capital outlay	-	-	-	7,029,679	7,029,679
Total expenditures	550,000	60,987	610,987	7,609,668	8,220,655
Revenues over (under) expenditures	66,839	101,830	168,669	(6,944,795)	(6,776,126)
Other financing sources (uses):					
Transfers in	-	-	-	8,452,502	8,452,502
Total other financing sources (uses)	-	-	-	8,452,502	8,452,502
Revenues and other financing sources over (under) expenditures and other financing uses	66,839	101,830	168,669	1,507,707	1,676,376
Fund balances, beginning	525,757	221,973	747,730	7,352,099	8,099,829
Fund balances, ending	\$ 592,596	\$ 323,803	\$ 916,399	\$ 8,859,806	\$ 9,776,205

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual State Street Aid Fund For the Fiscal Year Ended June 30, 2022

	State Street Aid Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenue	\$ 550,000	\$ 550,000	\$ 616,839
Total revenues	550,000	550,000	616,839
Expenditures:			
Building materials	550,000	550,000	550,000
Total expenditures	550,000	550,000	550,000
Revenues over (under) expenditures	-	-	66,839
Fund balances, beginning	525,757	525,757	525,757
Fund balances, ending	\$ 525,757	\$ 525,757	\$ 592,596

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Drug Fund
For the Fiscal Year Ended June 30, 2022**

	Drug Enforcement Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenues	\$ -	\$ -	\$ 5,172
Fines, forfeits and penalties	50,000	50,000	136,161
Other revenues	10,000	10,000	21,484
Total revenues	60,000	60,000	162,817
Expenditures:			
Contractual services	2,500	2,500	2,500
Supplies	5,000	5,000	5,093
Grants, contributions and other	77,995	77,995	53,394
Capital outlay	40,000	40,000	-
Total expenditures	125,495	125,495	60,987
Revenues over (under) expenditures	(65,495)	(65,495)	101,830
Fund balances, beginning	221,973	221,973	221,973
Fund balances, ending	<u>\$ 156,478</u>	<u>\$ 156,478</u>	<u>\$ 323,803</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, 2022

	Capital Budget Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental revenue	\$ 702,274	\$ 702,274	\$ 648,394
Other revenues	-	-	16,479
Total revenues	702,274	702,274	664,873
Expenditures:			
Contractual services	500,000	6,500,000	54,989
Supplies	525,000	525,000	525,000
Cost of bond issuance	-	200,000	-
Capital outlay	4,062,050	24,776,431	7,029,679
Total expenditures	5,087,050	32,001,431	7,609,668
Revenues over (under) expenditures	(4,384,776)	(31,299,157)	(6,944,795)
Other financing sources (uses):			
Transfers in	4,027,502	5,027,502	8,452,502
Bond proceeds	-	16,200,000	-
Total other financing sources (uses)	4,027,502	21,227,502	8,452,502
Revenues and other financing sources over (under) expenditures and other financing uses	(357,274)	(10,071,655)	1,507,707
Fund balances, beginning	7,352,099	7,352,099	7,352,099
Fund balances, ending	\$ 6,994,825	\$ (2,719,556)	\$ 8,859,806

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.

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Net Position Internal Service Funds June 30, 2022

	Insurance Fund	Flexible Spending Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,692,476	\$ 152,443	\$ 3,844,919
Other receivables	146,872	-	146,872
Internal balances	6,254	(6,254)	-
Prepayments	62,698	-	62,698
	<u>3,908,300</u>	<u>146,189</u>	<u>4,054,489</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	25,379	-	25,379
Reserve for health insurance claims	254,249	-	254,249
	<u>279,628</u>	<u>-</u>	<u>279,628</u>
<u>NET POSITION</u>			
Net position:			
Unrestricted	3,628,672	146,189	3,774,861
	<u>\$ 3,628,672</u>	<u>\$ 146,189</u>	<u>\$ 3,774,861</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, 2022

	Insurance Fund	Flexible Spending Fund	Total
Operating revenues:			
Premiums	\$ 4,699,599	\$ -	\$ 4,699,599
Other revenues	-	87,923	87,923
Total operating revenues	<u>4,699,599</u>	<u>87,923</u>	<u>4,787,522</u>
Operating expenses:			
Operations:			
Insurance claims	4,213,024	-	4,213,024
Insurance premiums	582,959	-	582,959
Medical, dental and childcare payments	-	97,230	97,230
Total operations	<u>4,795,983</u>	<u>97,230</u>	<u>4,893,213</u>
Administration:			
Commissions	160,720	-	160,720
Administrative services	184,291	-	184,291
Settlement	191,173	-	191,173
Total administration	<u>536,184</u>	<u>-</u>	<u>536,184</u>
Total operating expenses	<u>5,332,167</u>	<u>97,230</u>	<u>5,429,397</u>
Change in net position	(632,568)	(9,307)	(641,875)
Net position, beginning	<u>4,261,240</u>	<u>155,496</u>	<u>4,416,736</u>
Net position, ending	<u>\$ 3,628,672</u>	<u>\$ 146,189</u>	<u>\$ 3,774,861</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, 2022**

	Insurance Fund	Flexible Spending Fund	Total
Cash flows from operating activities:			
Cash received from employees, other participants and other funds	\$ 4,703,104	\$ 87,923	\$ 4,791,027
Cash payments to suppliers for goods and services	(1,161,738)	-	(1,161,738)
Cash payments for claims	(4,141,768)	(97,230)	(4,238,998)
Net cash provided (used) by operating activities	(600,402)	(9,307)	(609,709)
Cash flows from investing activities:			
Advance to (from) funds	3,165	(3,165)	-
Net cash provided (used) by investing activities	3,165	(3,165)	-
Net increase (decrease) in cash and cash equivalents	(597,237)	(12,472)	(609,709)
Cash and cash equivalents, beginning	4,289,713	164,915	4,454,628
Cash and cash equivalents, ending	\$ 3,692,476	\$ 152,443	\$ 3,844,919
Reconciliation of change in net position to net cash provided (used) by operating activities:			
Change in net position	\$ (632,568)	\$ (9,307)	\$ (641,875)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:			
Decrease in other receivables	3,505	-	3,505
Increase in prepaid expenses	(62,698)	-	(62,698)
Increase in accounts payable	20,103	-	20,103
Increase in insurance claims reserve	71,256	-	71,256
Net cash provided (used) by operating activities	\$ (600,402)	\$ (9,307)	\$ (609,709)

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.

CITY OF SEVIERVILLE, TENNESSEE

Combining Statement of Fiduciary Net Position Fiduciary Funds June 30, 2022

	Sevier County Electric System Employees' Pension Plan	Sevier County Electric System Retiree Medical, Dental, and Life Insurance Plan	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 661,581	\$ 350,616	\$ 1,012,197
Other receivables	252	-	252
Total cash and cash equivalents	<u>661,833</u>	<u>350,616</u>	<u>1,012,449</u>
Investments, at fair value:			
Mutual funds - equity	28,741,325	3,256,281	31,997,606
Mutual funds - fixed income	<u>10,356,195</u>	<u>1,432,503</u>	<u>11,788,698</u>
Total investments	<u>39,097,520</u>	<u>4,688,784</u>	<u>43,786,304</u>
Total assets	<u>39,759,353</u>	<u>5,039,400</u>	<u>44,798,753</u>
<u>NET POSITION</u>			
Net position restricted for:			
Pensions	39,759,353	-	39,759,353
Postemployment benefits other than pensions	<u>-</u>	<u>5,039,400</u>	<u>5,039,400</u>
Total net position	<u>\$ 39,759,353</u>	<u>\$ 5,039,400</u>	<u>\$ 44,798,753</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE
**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

	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	\$ 2,086,397	\$ 995,905	\$ 3,082,302
Employee contributions	351,603	-	351,603
Total contributions	<u>2,438,000</u>	<u>995,905</u>	<u>3,433,905</u>
Investment income:			
Interest and dividend income	650,648	143,499	794,147
Net decrease in fair value of investments	<u>(8,197,956)</u>	<u>(859,590)</u>	<u>(9,057,546)</u>
Total investment income (loss)	<u>(7,547,308)</u>	<u>(716,091)</u>	<u>(8,263,399)</u>
Total additions (decrease)	<u>(5,109,308)</u>	<u>279,814</u>	<u>(4,829,494)</u>
Deductions from net position:			
Benefits paid to participants	2,470,177	745,905	3,216,082
Custodial fees	<u>37,505</u>	<u>4,392</u>	<u>41,897</u>
Total deductions	<u>2,507,682</u>	<u>750,297</u>	<u>3,257,979</u>
Net decrease in net position	(7,616,990)	(470,483)	(8,087,473)
Net position restricted:			
Beginning of the year	<u>47,376,343</u>	<u>5,509,883</u>	<u>52,886,226</u>
End of the year	<u>\$ 39,759,353</u>	<u>\$ 5,039,400</u>	<u>\$ 44,798,753</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.

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, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2021)

	2022			2021
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Local taxes:				
Local sales taxes	\$ 2,210,516	\$ 2,210,516	\$ 3,224,644	\$ 2,210,516
Total local sales taxes	<u>2,210,516</u>	<u>2,210,516</u>	<u>3,224,644</u>	<u>2,210,516</u>
Intergovernmental revenue:				
State of Tennessee:				
Sales tax	<u>5,351,744</u>	<u>5,351,744</u>	<u>7,449,600</u>	<u>5,351,744</u>
Total intergovernmental revenue	<u>5,351,744</u>	<u>5,351,744</u>	<u>7,449,600</u>	<u>5,351,744</u>
Other revenues:				
Interest earnings	<u>175,000</u>	<u>175,000</u>	<u>54,937</u>	<u>139,991</u>
Total other revenues	<u>175,000</u>	<u>175,000</u>	<u>54,937</u>	<u>139,991</u>
Total revenues	<u>7,737,260</u>	<u>7,737,260</u>	<u>10,729,181</u>	<u>7,702,251</u>
Expenditures:				
Debt administration:				
Principal	7,085,000	7,085,000	7,085,000	6,075,000
Interest	5,885,000	5,885,000	4,153,287	4,773,309
Debt service charges	<u>400,000</u>	<u>400,000</u>	<u>286,905</u>	<u>249,780</u>
Total debt administration	<u>13,370,000</u>	<u>13,370,000</u>	<u>11,525,192</u>	<u>11,098,089</u>
Total expenditures	<u>13,370,000</u>	<u>13,370,000</u>	<u>11,525,192</u>	<u>11,098,089</u>
Revenues over (under) expenditures	<u>(5,632,740)</u>	<u>(5,632,740)</u>	<u>(796,011)</u>	<u>(3,395,838)</u>
Other financing sources (uses):				
Transfer from general fund	<u>4,100,000</u>	<u>4,100,000</u>	<u>3,100,000</u>	<u>3,100,000</u>
Total other financing sources (uses)	<u>4,100,000</u>	<u>4,100,000</u>	<u>3,100,000</u>	<u>3,100,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,532,740)</u>	<u>(1,532,740)</u>	<u>2,303,989</u>	<u>(295,838)</u>
Fund balance, beginning	<u>15,823,264</u>	<u>15,823,264</u>	<u>15,823,264</u>	<u>16,119,102</u>
Fund balance, ending	<u>\$ 14,290,524</u>	<u>\$ 14,290,524</u>	<u>\$ 18,127,253</u>	<u>\$ 15,823,264</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, 2022

Grantor Agency	Contract #	Assistance Listing Number	Expenditures
Federal Awards:			
U.S. Department of Justice -			
2020 Bulletproof Vest Partnership Program	N/A	16.607	\$ 3,182
2021 Bulletproof Vest Partnership Program	N/A	16.607	<u>5,250</u>
		Sub-total	<u>8,432</u>
Public Safety Partnership and Community Policing Grants	2018HPWX0015	16.710	76
Public Safety Partnership and Community Policing Grants	2018AMWX0002	16.710	<u>1,530</u>
		Sub-total	<u>1,606</u>
Total U.S. Department of Justice			<u>10,038</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	79,040
Congestion Mitigation and Air Quality Grant (Phase 2)	CM-9123(8)	20.205	87,829
Parkway from SR71 to SR35 Rehabilitation	STP-M-9123(10)	20.205	16,125
SR338 Intersection Design	STP-M-338(9)	20.205	<u>15,320</u>
Total Highway Planning and Construction Cluster		Sub-total	<u>198,314</u>
Pass-through from Tennessee Department of Safety and Homeland Security -			
THS Grant - 2021	Z-21-THS264	20.607	10,619
THS Grant - 2022	Z-22-THS255	20.607	<u>37,861</u>
Total THS Grants		Sub-total	<u>48,480</u>
Total U.S. Department of Transportation			<u>246,794</u>
U.S. Department of Treasury -			
American Rescue Plan Act (ARPA)			
Pass-through from Tennessee Department of Finance and Administration			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	<u>5,078,844</u>
Total U.S. Department of Treasury			<u>5,078,844</u>
Total Federal Awards			<u>5,335,676</u>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Expenditures of Federal and State Awards (Continued)
For the Fiscal Year Ended June 30, 2022**

Grantor Agency	Contract #	Assistance Listing Number	Expenditures
State Awards:			
Tennessee Department of Transportation - SR338 Intersection Design	STP-M-338(9)	N/A	\$ 3,830
Tennessee Department of Health - Child Passenger Safety Seat	N/A	N/A	7,319
Tennessee Department of Finance and Administration 2021 Direct Appropriation	N/A	N/A	394,814
2022 Direct Appropriation	N/A	N/A	<u>202,274</u>
Total State Awards			<u>608,237</u>
Total Federal and State Awards			<u>\$ 5,943,913</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Notes to the Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended June 30, 2022

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, 2022. 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, 2022. The loan funding balances are also included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>FY2022 Loan Funding</u>	<u>Outstanding Balance</u>
Rural Economic Development Loans and Grants*	10.854	\$ -	\$ 435,185
Rural Economic Development Loans and Grants**	10.854	-	601,852
Rural Economic Development Loans and Grants***	10.854	-	907,379
		<u>\$ -</u>	<u>\$ 1,944,416</u>

* This loan funding was passed through as a loan from a subrecipient and the outstanding balance on this loan receivable at June 30, 2022 was \$425,926.

** This loan funding was passed through as a loan from a subrecipient and the outstanding balance on this loan receivable at June 30, 2022 was \$583,333.

*** This loan funding was passed through as a loan from a subrecipient and the outstanding balance on this loan receivable at June 30, 2022 was \$925,926.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Plant
Water and Sewer Department Fund
June 30, 2022

	Assets			Accumulated Depreciation					Net
	Balance July 1, 2021	Additions	Retirements and Reclassifications	Balance June 30, 2022	Balance July 1, 2021	Expense	Retirements and Reclassifications	Balance June 30, 2022	
Water treatment and disposal tanks	\$ 28,206,530	\$ 53,696	\$ (25,768)	\$ 28,234,458	\$ 11,434,748	\$ 946,242	\$ (16,651)	\$ 12,364,339	\$ 15,870,119
Wastewater treatment plant	16,626,034	-	(18,136)	16,607,898	10,569,594	473,507	(16,732)	11,026,369	5,581,529
Transmission and distribution lines	28,973,817	133,278	(76,266)	29,030,829	11,168,211	568,638	(57,047)	11,679,802	17,351,027
Collection lines	32,328,715	-	(80,233)	32,248,482	12,174,382	636,935	(58,634)	12,752,683	19,495,799
Water meters	3,895,601	-	-	3,895,601	242,770	389,560	-	632,330	3,263,271
Pump and lift stations	5,335,329	40,150	(90,105)	5,285,374	1,815,288	222,344	(76,881)	1,960,751	3,324,623
Transportation equipment	2,873,535	250,276	(100,352)	3,023,459	1,505,969	230,787	(99,352)	1,637,404	1,386,055
Machinery and equipment	3,993,110	596,014	(840,034)	3,749,090	2,607,072	240,892	(719,917)	2,128,047	1,621,043
Other capital assets	5,433,351	492,945	(12,456)	5,913,840	3,176,430	429,502	(1,174)	3,604,758	2,309,082
Sub-total	127,666,022	1,566,359	(1,243,350)	127,989,031	54,694,464	4,138,407	(1,046,388)	57,786,483	70,202,548
Land	445,426	-	(7,869)	437,557	-	-	-	-	437,557
Construction work in progress	1,270,660	6,261,373	-	7,532,033	-	-	-	-	7,532,033
Total	\$ 129,382,108	\$ 7,827,732	\$ (1,251,219)	\$ 135,958,621	\$ 54,694,464	\$ 4,138,407	\$ (1,046,388)	\$ 57,786,483	\$ 78,172,138

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Plant
Electric Department Fund
June 30, 2022

	Assets				Accumulated Depreciation				Net
	Balance	Additions	Deductions	Balance	Balance	Current Year	Retirements	Balance	
	July 1, 2021			June 30, 2022	July 1, 2021	Depreciation		June 30, 2022	
Electric distribution system	\$ 238,249,835	\$ 9,393,111	\$ (1,629,018)	\$ 246,013,928	\$ 107,565,456	\$ 8,321,098	\$ (2,204,648)	\$ 113,681,906	\$ 132,332,022
Machinery and equipment	2,865,418	10,868	-	2,876,286	1,755,033	202,734	-	1,957,767	918,519
Transportation equipment	7,054,652	174,713	(171,798)	7,057,567	4,176,923	428,857	(119,287)	4,486,493	2,571,074
Office furniture and fixtures	1,897,100	370,418	-	2,267,518	1,580,418	171,541	-	1,751,959	515,559
Sub-total	250,067,005	9,949,110	(1,800,816)	258,215,299	115,077,830	9,124,230	(2,323,935)	121,878,125	136,337,174
Land and land rights	7,543,575	-	-	7,543,575	-	-	-	-	7,543,575
Construction work in progress	3,314,741	1,074,949	-	4,389,690	-	-	-	-	4,389,690
Total	\$ 260,925,321	\$ 11,024,059	\$ (1,800,816)	\$ 270,148,564	\$ 115,077,830	\$ 9,124,230	\$ (2,323,935)	\$ 121,878,125	\$ 148,270,439

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Long-Term Debt Principal and Interest Requirements
Governmental Activities
June 30, 2022**

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
	2023	\$ 1,850,000	\$ 218,760	\$ 100,000	\$ 17,541	\$ 150,000	\$ 160,119	\$ -	\$ 721,757	\$ -
2024	1,945,000	149,402	100,000	16,444	175,000	157,119	-	721,757	-	530,902
2025	2,040,000	76,482	100,000	15,348	175,000	152,963	-	721,757	-	530,902
2026	-	-	100,000	14,252	1,180,000	145,963	-	721,757	-	530,902
2027	-	-	100,000	13,156	530,000	110,563	-	721,757	-	530,902
2028	-	-	100,000	12,059	570,000	94,663	-	721,757	-	530,902
2029	-	-	250,000	10,963	485,000	77,563	-	721,757	-	530,902
2030	-	-	250,000	8,222	535,000	58,163	-	721,757	-	530,902
2031	-	-	250,000	5,481	590,000	40,776	-	721,757	11,125,000	530,902
2032	-	-	250,000	2,742	640,000	21,600	-	721,757	12,175,000	408,935
2033	-	-	-	-	-	-	11,075,000	721,757	1,700,000	50,274
2034	-	-	-	-	-	-	13,425,000	395,627	-	-
	<u>\$ 5,835,000</u>	<u>\$ 444,644</u>	<u>\$ 1,600,000</u>	<u>\$ 116,208</u>	<u>\$ 5,030,000</u>	<u>\$ 1,019,492</u>	<u>\$ 24,500,000</u>	<u>\$ 8,334,954</u>	<u>\$ 25,000,000</u>	<u>\$ 5,237,327</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 3.749%, consisting of actual interest rate at June 30, 2022 of 1.096%, plus 4.395% (the fixed component of the interest rate swap agreement) less 1.742% (63.1% CMS LIBOR 5-year rate at June 30, 2022).
- (2) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 1.096%, the actual interest rate at June 30, 2022.
- (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 2.957%, consisting of actual interest rate at June 30, 2022 of 1.096%, plus 3.49% (the fixed component of the interest rate swap agreement) less 1.629% (59% CMS LIBOR 5-year rate at June 30, 2022); and 2) interest on \$150,000 was 1.0963%.
- (4) 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 \$13,800,000 was 2.957%, consisting of actual interest rate at June 30, 2022 of 1.096%, plus 3.49% (the fixed component of the interest rate swap agreement) less 1.629% (59% CMS LIBOR 5-year rate at June 30, 2022); and 2) interest on \$11,200,000 was 1.096%.

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Long-Term Debt Principal and Interest Requirements
Governmental Activities (Continued)
June 30, 2022**

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
	2023	\$ -	\$ 425,075	\$ 2,550,000	\$ 232,162	\$ 4,860,000	\$ 1,127,250	\$ 100,000	\$ 294,725	\$ 9,610,000
2024	-	425,075	2,650,000	195,618	5,105,000	884,250	100,000	289,725	10,075,000	3,370,292
2025	-	425,075	2,850,000	157,641	5,270,000	629,000	100,000	284,725	10,535,000	2,993,893
2026	-	425,075	3,000,000	116,798	5,445,000	418,200	800,000	279,725	10,525,000	2,652,672
2027	-	425,075	3,150,000	73,805	5,575,000	254,850	1,350,000	239,725	10,705,000	2,369,833
2028	3,975,000	425,075	2,000,000	28,662	2,920,000	87,600	1,250,000	172,225	10,815,000	2,072,943
2029	10,525,000	360,337	-	-	-	-	1,065,000	109,725	12,325,000	1,811,247
2030	11,050,000	188,922	-	-	-	-	1,000,000	67,125	12,835,000	1,575,091
2031	550,000	8,958	-	-	-	-	900,000	37,125	13,415,000	1,344,999
2032	-	-	-	-	-	-	900,000	19,125	13,965,000	1,174,159
2033	-	-	-	-	-	-	-	-	12,775,000	772,031
2034	-	-	-	-	-	-	-	-	13,425,000	395,627
	<u>\$ 26,100,000</u>	<u>\$ 3,108,667</u>	<u>\$ 16,200,000</u>	<u>\$ 804,686</u>	<u>\$ 29,175,000</u>	<u>\$ 3,401,150</u>	<u>\$ 7,565,000</u>	<u>\$ 1,793,950</u>	<u>\$ 141,005,000</u>	<u>\$ 24,261,078</u>

(5) Interest is payable semi-annually at variable rates. The interest rate used for this calculation was 1.629%, the actual interest rate at June 30, 2022.

(6) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 1.433%, the actual interest rate at June 30, 2022.

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Long-Term Debt Principal and Interest Requirements
 Business-Type Activities
 June 30, 2022

WATER AND SEWER DEPARTMENT FUND

Year Ending June 30,	\$8,000,000 Local Government Public Improvement Bonds Series VII-A-2 Variable (1)		\$4,880,000 General Obligation Refunding Bonds Series 2021 2.00%		\$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
	2023	\$ -	\$ 343,716	\$ 880,000	\$ 83,600	\$ 250,000	\$ 77,015	\$ 600,000	\$ 254,169	\$ 1,730,000
2024	-	343,716	850,000	66,000	300,000	74,274	600,000	242,169	1,750,000	726,159
2025	-	343,716	650,000	49,000	500,000	70,985	625,000	227,919	1,775,000	691,620
2026	-	343,716	600,000	36,000	500,000	65,504	640,000	202,919	1,740,000	648,139
2027	-	343,716	600,000	24,000	500,000	60,022	650,000	183,719	1,750,000	611,457
2028	-	343,716	600,000	12,000	500,000	54,541	665,000	164,219	1,765,000	574,476
2029	500,000	343,716	-	-	500,000	49,059	690,000	144,269	1,690,000	537,044
2030	1,100,000	322,234	-	-	500,000	43,578	715,000	116,669	2,315,000	482,481
2031	1,150,000	274,973	-	-	500,000	38,096	735,000	93,433	2,385,000	406,502
2032	1,200,000	225,564	-	-	725,000	32,615	505,000	69,545	2,430,000	327,724
2033	1,250,000	174,006	-	-	750,000	24,667	500,000	52,500	2,500,000	251,173
2034	1,350,000	120,301	-	-	750,000	16,445	500,000	35,000	2,600,000	171,746
2035	1,450,000	62,298	-	-	750,000	8,223	500,000	17,500	2,700,000	88,021
	<u>\$ 8,000,000</u>	<u>\$ 3,585,388</u>	<u>\$ 4,180,000</u>	<u>\$ 270,600</u>	<u>\$ 7,025,000</u>	<u>\$ 615,024</u>	<u>\$ 7,925,000</u>	<u>\$ 1,804,030</u>	<u>\$ 27,130,000</u>	<u>\$ 6,275,042</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 4.296%, consisting of actual interest rate at June 30, 2022 of 1.629%, plus 4.41% (the fixed component of the interest rate swap agreement) less 1.742% (63.1% CMS LIBOR 5-year rate at June 30, 2022).

(2) Interest is payable quarterly at variable rates. The interest rate used for this calculation was 1.096%, the actual interest rate at June 30, 2022.

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Long-Term Debt Principal and Interest Requirements
 Business-Type Activities (Continued)
 June 30, 2022

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
2023	\$ 1,685,000	\$ 95,535	\$ 111,111	\$ -	\$ 222,222	\$ -	\$ 111,111	\$ -	\$ 2,129,444	\$ 95,535	\$ 3,859,444	\$ 854,035
2024	1,560,000	47,679	111,111	-	222,222	-	111,111	-	2,004,444	47,679	3,754,444	773,838
2025	-	4,119	111,111	-	222,222	-	111,111	-	444,444	4,119	2,219,444	695,739
2026	-	-	101,852	-	222,222	-	111,111	-	435,185	-	2,175,185	648,139
2027	-	-	-	-	18,491	-	111,111	-	129,602	-	1,879,602	611,457
2028	-	-	-	-	-	-	46,297	-	46,297	-	1,811,297	574,476
2029	-	-	-	-	-	-	-	-	-	-	1,690,000	537,044
2030	-	-	-	-	-	-	-	-	-	-	2,315,000	482,481
2031	-	-	-	-	-	-	-	-	-	-	2,385,000	406,502
2032	-	-	-	-	-	-	-	-	-	-	2,430,000	327,724
2033	-	-	-	-	-	-	-	-	-	-	2,500,000	251,173
2034	-	-	-	-	-	-	-	-	-	-	2,600,000	171,746
2035	-	-	-	-	-	-	-	-	-	-	2,700,000	88,021
	<u>\$ 3,245,000</u>	<u>\$ 147,333</u>	<u>\$ 435,185</u>	<u>\$ -</u>	<u>\$ 907,379</u>	<u>\$ -</u>	<u>\$ 601,852</u>	<u>\$ -</u>	<u>\$ 5,189,416</u>	<u>\$ 147,333</u>	<u>\$ 32,319,416</u>	<u>\$ 6,422,375</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 3.02% was used for this calculation.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Changes in Long-Term Debt by Individual Issue
 Governmental Activities
 June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Bonds Payable:									
Local Government Public Improvement Bonds - Series VII-L-1	\$ 16,215,000	Varies	06/01/2012	06/01/2025	\$ 7,595,000	\$ -	\$ 1,760,000	\$ -	\$ 5,835,000
Local Government Public Improvement Bonds - Series VII-M-1	\$ 2,300,000	Varies	05/29/2014	06/01/2032	1,700,000	-	100,000	-	1,600,000
General Obligation Bonds, Series 2015	\$ 5,680,000	Varies	05/29/2015	06/01/2032	5,155,000	-	125,000	-	5,030,000
Local Government Public Improvement Bonds - Series 2009B	\$ 24,500,000	Varies	12/30/2009	06/01/2034	24,500,000	-	-	-	24,500,000
Local Government Public Improvement Bonds - Series 2010A	\$ 25,000,000	Varies	01/14/2010	06/01/2033	25,000,000	-	-	-	25,000,000
Local Government Public Improvement Bonds - Series 2010B	\$ 26,100,000	Varies	09/15/2010	06/01/2031	26,100,000	-	-	-	26,100,000
Local Government Public Improvement Bonds - Series VII-N-1	\$ 25,000,000	Varies	05/01/2014	06/01/2028	18,650,000	-	2,450,000	-	16,200,000
General Obligation Refunding Bonds, Series 2018	\$ 42,760,000	Varies	05/31/2018	06/01/2028	33,810,000	-	4,635,000	-	29,175,000
General Obligation Refunding Bonds, Series 2020	\$ 7,765,000	Varies	05/29/2020	05/01/2032	7,665,000	-	100,000	-	7,565,000
Total Bonds Payable - Governmental Activities					<u>\$ 150,175,000</u>	<u>\$ -</u>	<u>\$ 9,170,000</u>	<u>\$ -</u>	<u>\$ 141,005,000</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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Bonds Payable:									
Local Government Public Improvement Bonds, Series VII-A-2	\$ 8,000,000	Varies	06/01/2009	06/01/2035	\$ 8,000,000	\$ -	\$ -	\$ -	\$ 8,000,000
Local Government Public Improvement Revenue Bonds - Series V-D-1	\$ 21,700,000	Varies	10/01/2010	06/01/2024	4,845,000	-	1,600,000	-	3,245,000
General Obligation Bond, Series 2011	\$ 5,000,000	Varies	11/15/2011	06/01/2032	5,000,000	-	5,000,000	-	-
Local Government Public Improvement Bonds, Series VII-M-1	\$ 8,525,000	Varies	05/29/2014	06/01/2035	7,275,000	-	250,000	-	7,025,000
General Obligation Bonds, Series 2015	\$ 11,225,000	Varies	05/29/2015	06/01/2035	8,500,000	-	575,000	-	7,925,000
General Obligation Bonds, Series 2021	\$ 4,880,000	2.00%	12/03/2021	06/01/2028	-	4,880,000	700,000	-	4,180,000
Total Bonds Payable - Business-Type Activities					\$ 33,620,000	\$ 4,880,000	\$ 8,125,000	\$ -	\$ 30,375,000
Notes Payable:									
United States Department of Agriculture	\$ 1,000,000	0.00%	06/01/2016	05/31/2026	\$ 546,296	\$ -	\$ 111,111	\$ -	\$ 435,185
United States Department of Agriculture	\$ 2,000,000	0.00%	08/08/2016	08/15/2026	1,129,618	-	222,239	-	907,379
United States Department of Agriculture	\$ 1,000,000	0.00%	11/16/2017	11/16/2027	712,952	-	111,100	-	601,852
Total Notes Payable - Business-Type Activities					\$ 2,388,866	\$ -	\$ 444,450	\$ -	\$ 1,944,416

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Lease Principal and Interest Requirements
 Governmental Activities
 June 30, 2022

Year Ending June 30,	Radio Tower Lease		Mowing Equipment Lease		Golf Carts Lease		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 15,305	\$ 4,567	\$ 47,089	\$ 2,079	\$ 61,284	\$ 1,145	\$ 123,678	\$ 7,791
2024	16,760	3,807	16,221	168	-	-	32,981	3,975
2025	18,311	2,976	-	-	-	-	18,311	2,976
2026	19,965	2,067	-	-	-	-	19,965	2,067
2027	21,726	1,078	-	-	-	-	21,726	1,078
	<u>\$ 92,067</u>	<u>\$ 14,495</u>	<u>\$ 63,310</u>	<u>\$ 2,247</u>	<u>\$ 61,284</u>	<u>\$ 1,145</u>	<u>\$ 216,661</u>	<u>\$ 17,887</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Changes in Lease Obligations
 Governmental Activities
 June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Leases Payable:									
Radio Tower Lease	\$ 106,009	4.96%	06/15/2009	05/26/2027	\$ 106,009	\$ -	\$ 13,942	\$ -	\$ 92,067
Mowing Equipment Lease	\$ 108,125	4.96%	04/01/2019	10/01/2023	108,125	-	44,815	-	63,310
Golf Carts Lease	\$ 149,501	4.96%	03/28/2019	02/28/2023	<u>149,501</u>	<u>-</u>	<u>88,217</u>	<u>-</u>	<u>61,284</u>
Total Leases Payable - Governmental Activities Payable from the General Fund					<u>\$ 363,635</u>	<u>\$ -</u>	<u>\$ 146,974</u>	<u>\$ -</u>	<u>\$ 216,661</u>

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Utility Rates, Tap Fees and Number of Customers
For the Fiscal Year Ended June 30, 2022**

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	12,603
Sewer	11,280

*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

Schedule of Utility Rates, Tap Fees and Number of Customers (Continued)
For the Fiscal Year Ended June 30, 2022

Electric Power RatesRESIDENTIAL RATE – SCHEDULE RSBase Charges

Customer charge	\$18.40
Energy Charge per kWh	7.072¢
TVA Fuel Cost Adjustment	2.853¢

RESIDENTIAL RATE - SCHEDULE SRSBase Charges

Customer charge	\$20.00
Energy Charge per kWh	7.211¢
TVA Fuel Cost Adjustment	2.853¢

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	8.772¢
TVA Fuel Cost Adjustment	2.821¢
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	\$13.58
<u>Energy Charge per kWh:</u>	
First 15,000 kW per month	8.821¢
TVA Fuel Cost Adjustment	2.821¢
Additional kWh per month	4.424¢
TVA Fuel Cost Adjustment	2.785¢

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

Schedule of Utility Rates, Tap Fees and Number of Customers (Continued)
For the Fiscal Year Ended June 30, 2022

Electric Power Rates (Continued)COMMERCIAL RATE – SCHEDULE GSA (Continued)Base Charges (Continued)

3. Demand greater than 1,000 kW:

Customer Charge	\$200.00
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Demand Charge in dollars per kW of demand:

First 1,000 kW of billing demand per month	\$14.03
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Next 1,500 kW of billing demand per month	\$15.16
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Over 2,500 kW of billing demand per month	\$15.56
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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	4.424¢
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TVA Fuel Cost Adjustment	2.785¢
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Number of Customers

Power	60,559
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See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Schedule of Changes in Property Taxes Receivable
For the Fiscal Year Ended June 30, 2022**

<u>Tax Year</u>	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections/ Reductions</u>	<u>Adjustments/ Abatements</u>	<u>Balance June 30, 2022</u>
2021	\$ -	\$ 4,314,022	\$ 4,229,361	\$ (24,105)	\$ 60,556
2020	84,355	-	89,137	8,689	3,907
2019	8,822	-	6,120	(9)	2,693
2018	1,953	-	714	(16)	1,223
2017	2,519	-	13	(12)	2,494
2016	2,093	-	51	(3)	2,039
2015	695	-	-	(5)	690
2014	877	-	-	(5)	872
2013	643	-	11	(1)	631
2012	855	-	16	(5)	834
2011	1,051	-	-	(1,051)	-
Total	\$ 103,863	\$ 4,314,022	\$ 4,325,423	\$ (16,523)	75,939
					January 1, 2022 property assessment not to be billed until October 1, 2022
					<u>4,391,786</u>
					<u>\$ 4,467,725</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE
**Balance Sheet
Solid Waste Department Activity
June 30, 2022**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 79,905
Receivables:	
Customers (net of allowance for doubtful accounts of \$50,567)	104,880
Due from general fund	<u>231,592</u>
 Total assets	 <u>\$ 416,377</u>
<u>LIABILITIES AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 78,571
Accrued liabilities	34,571
Customer deposits	<u>1,545</u>
 Total liabilities	 <u>114,687</u>
Fund equity:	
Assigned	<u>301,690</u>
 Total fund equity	 <u>301,690</u>
 Total liabilities and fund equities	 <u>\$ 416,377</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, 2022**

	Original Budget	Final Budget	Actual
Revenues:			
Licenses and permits	\$ 1,000	\$ 1,000	\$ 3,000
Charges for services	2,383,000	2,383,000	2,296,122
Other revenues	<u>3,000</u>	<u>3,000</u>	<u>10,858</u>
 Total revenues	 <u>2,387,000</u>	 <u>2,387,000</u>	 <u>2,309,980</u>
Expenditures:			
Personal services	798,700	798,700	764,450
Contractual services	843,500	843,500	774,802
Supplies	229,800	229,800	349,216
Bad debt expense	-	-	9,413
Capital outlay	<u>515,000</u>	<u>721,000</u>	<u>388,733</u>
 Total expenditures	 <u>2,387,000</u>	 <u>2,593,000</u>	 <u>2,286,614</u>
 Revenues over (under) expenditures	 <u>-</u>	 <u>(206,000)</u>	 <u>23,366</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	 <u>-</u>	 <u>(206,000)</u>	 <u>23,366</u>
Fund balance, beginning	<u>278,324</u>	<u>278,324</u>	<u>278,324</u>
Fund balance, ending	<u>\$ 278,324</u>	<u>\$ 72,324</u>	<u>\$ 301,690</u>

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

Balance Sheet
Sevierville Golf Club Department Activity
June 30, 2022

<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,800
Receivables:	
Customers (net of allowance for doubtful accounts of \$32,836)	13,083
Other	251,200
Due from general fund	2,006,368
Materials and supplies inventory	<u>197,938</u>
 Total assets	 \$ 2,471,389
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 34,461
Accrued liabilities	125,101
Due to other governments	5
Customer deposits	<u>35,971</u>
 Total liabilities	 <u>195,538</u>
Deferred inflows of resources:	
Deferred revenue	<u>234,809</u>
 Total deferred inflows of resources	 <u>234,809</u>
Fund equity:	
Nonspendable:	
Inventories	197,938
Assigned	<u>1,843,104</u>
 Total fund equity	 <u>2,041,042</u>
 Total liabilities, deferred inflows of resources, and fund equities	 \$ 2,471,389

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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Charges for services	\$ 2,474,191	\$ 2,474,191	\$ 3,254,932
Other revenues	<u>2,000</u>	<u>2,000</u>	<u>4,685</u>
 Total revenues	 <u>2,476,191</u>	 <u>2,476,191</u>	 <u>3,259,617</u>
Expenditures:			
Personal services	1,369,836	1,369,836	1,453,027
Contractual services	438,884	438,884	423,892
Supplies	828,560	828,560	801,215
Fixed charges	67,095	67,095	132,794
Capital outlay	<u>129,805</u>	<u>129,805</u>	<u>-</u>
 Total expenditures	 <u>2,834,180</u>	 <u>2,834,180</u>	 <u>2,810,928</u>
 Revenues over (under) expenditures	 <u>(357,989)</u>	 <u>(357,989)</u>	 <u>448,689</u>
Other financing sources (uses):			
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
 Total other financing sources (uses)	 <u>400,000</u>	 <u>400,000</u>	 <u>400,000</u>
 Net change in fund balance	 42,011	 42,011	 848,689
Fund balance, beginning	<u>1,192,353</u>	<u>1,192,353</u>	<u>1,192,353</u>
Fund balance, ending	 \$ 1,234,364	 \$ 1,234,364	 \$ 2,041,042

See independent auditor's report

CITY OF SEVIERVILLE, TENNESSEE
**Balance Sheet
Sevierville Convention Center Department Activity
June 30, 2022**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 6,100
Receivables:	
Customers	59,310
Due from general fund	<u>967,695</u>
 Total assets	 <u>\$ 1,033,105</u>
<u>LIABILITIES AND FUND EQUITIES</u>	
Liabilities:	
Accounts payable	\$ 7,567
Accrued liabilities	41,146
Customer deposits	<u>229,625</u>
 Total liabilities	 <u>278,338</u>
Fund equity:	
Assigned	<u>754,767</u>
 Total fund equity	 <u>754,767</u>
 Total liabilities and fund equities	 <u>\$ 1,033,105</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Charges for services	\$ 716,430	\$ 716,430	\$ 1,218,774
 Total revenues	 <u>716,430</u>	 <u>716,430</u>	 <u>1,218,774</u>
Expenditures:			
Personal services	921,828	921,828	892,192
Contractual services	723,414	723,414	572,998
Supplies	39,650	39,650	40,898
Fixed charges	<u>98,277</u>	<u>98,277</u>	<u>139,985</u>
 Total expenditures	 <u>1,783,169</u>	 <u>1,783,169</u>	 <u>1,646,073</u>
 Revenues over (under) expenditures	 <u>(1,066,739)</u>	 <u>(1,066,739)</u>	 <u>(427,299)</u>
Other financing sources (uses):			
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
 Total other financing sources (uses)	 <u>500,000</u>	 <u>500,000</u>	 <u>500,000</u>
 Net change in fund balance	 (566,739)	 (566,739)	 72,701
Fund balance, beginning	<u>682,066</u>	<u>682,066</u>	<u>682,066</u>
Fund balance, ending	<u>\$ 115,327</u>	<u>\$ 115,327</u>	<u>\$ 754,767</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.

Contents	Page
Financial Trends	126 - 131
<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	132 - 135
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	136 - 138
<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	139 - 140
<i>These schedules present information to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	141 - 143
<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>	

CITY OF SEVIERVILLE, TENNESSEE

**Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
Net investment in capital assets	\$ 51,222,585	\$ 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
Restricted	10,749,976	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
Unrestricted	68,703,858	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)
Total governmental activities net position	130,676,419	96,092,330	67,952,836	60,805,614	50,579,179	40,411,438	26,320,415	16,617,701	13,478,884	(93,884,898)
Business-type activities:										
Net investment in capital assets	195,700,282	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
Restricted	3,407,536	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
Unrestricted	26,642,645	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
Total business-type activities net position	225,750,463	213,177,171	202,841,280	198,086,783	191,190,898	187,130,156	186,738,282	178,636,744	183,538,339	179,718,841
Primary government:										
Net investment in capital assets	246,922,867	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
Restricted	14,157,512	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
Unrestricted	95,346,503	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)
Total primary government net position	\$ 356,426,882	\$ 309,269,501	\$ 270,794,116	\$ 258,892,397	\$ 241,770,077	\$ 227,541,594	\$ 213,058,697	\$ 195,254,445	\$ 197,017,223	\$ 85,833,943

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Governmental activities:										
General government	\$ 13,796,543	\$ 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
Public safety	13,935,170	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
Public works	7,704,724	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
Recreation	6,832,898	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
Contingency reserve	-	-	-	-	-	-	72,441	53,607	118,788	166,457
Community development	216,120	216,119	216,119	216,120	216,119	216,120	216,120	216,119	216,119	-
Interest	4,542,066	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
Debt administration	333,802	279,755	502,423	409,631	747,087	420,611	-	-	-	-
Capital outlays	-	-	-	-	-	-	422,092	-	-	746,761
Total governmental activities	<u>47,361,323</u>	<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>
Business-type activities:										
Water and sewer	14,737,719	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
Electric	163,998,282	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
Total business-type activities	<u>178,736,001</u>	<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>
Total expenses	<u>\$ 226,097,324</u>	<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>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 1,857,488	\$ 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
Public safety	574,814	351,309	384,831	315,381	368,127	346,797	465,316	592,493	492,703	515,571
Public works	3,055,266	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
Recreation	3,897,606	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
Operating grants and contributions	5,392,235	787,931	379,882	219,467	222,880	302,352	324,068	205,101	1,017,890	840,006
Capital grants and contributions	799,231	1,849,696	2,381,034	627,041	582,516	839,508	1,271	-	510,000	79,670
Total governmental activities	<u>15,576,640</u>	<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>
Business-type activities:										
Charges for services:										
Water and sewer	20,169,915	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
Electric	173,116,861	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
Capital grants and contributions	-	-	52,445	-	-	58,389	218,700	28,405	-	-
Total business-type activities	<u>193,286,776</u>	<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>
Total program revenues	<u>\$ 208,863,416</u>	<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>
Net revenue (expense):										
Governmental activities	\$ (31,784,683)	\$ (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)
Business-type activities	14,550,775	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
Total net revenue (expense)	<u>\$ (17,233,908)</u>	<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>

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
General revenues:										
Sales taxes	\$ 38,453,664	\$ 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
Privilege taxes	10,858,952	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
Property taxes	4,354,568	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
Wholesale beer tax	1,855,488	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
Business taxes	1,969,128	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
Other taxes	1,129,542	999,120	986,085	1,024,625	927,982	813,845	964,007	1,115,583	1,224,229	926,581
Interest earned	106,055	360,510	716,131	730,767	181,081	47,304	51,626	13,262	14,418	25,872
Miscellaneous	401,874	331,174	267,248	311,270	140,112	304,217	150,773	150,550	169,570	155,515
Gain (loss) on investment derivatives	4,948,248	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
Gain (loss) on disposal of capital assets	-	234,206	22,158	23,300	5,756	-	239,156	(347,619)	66,415	(299,826)
Contributions:										
Capital contribution to component unit	-	-	-	-	-	-	-	-	-	(650,000)
Operating contribution to component unit	-	-	-	-	-	-	-	-	-	(892,300)
Transfers	2,291,253	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
Other items:										
Grant to primary government from component unit	-	-	-	-	-	-	-	-	105,662,209	-
Total general revenues, contributions, transfers and other items	<u>66,368,772</u>	<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>
Business-type activities:										
General revenues:										
Interest earned	175,187	384,408	639,842	392,271	165,174	178,554	176,252	132,104	107,937	155,225
Gain (loss) on disposal of capital assets	-	-	(565)	2,505	-	-	-	3,117	151,413	(8,613)
Miscellaneous	138,583	1,013,410	215,295	215,643	26,439	6,283	29,759	37,414	78,845	38,697
Transfers	(2,291,253)	(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)
Total general revenues, contributions and transfers	<u>(1,977,483)</u>	<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>
Total primary government	<u>\$ 64,391,289</u>	<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>
Change in net position:										
Governmental activities	\$ 34,584,089	\$ 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
Business-type activities	12,573,292	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
Total change in net position	<u>\$ 47,157,381</u>	<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>

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General fund:										
Nonspendable	\$ 756,429	\$ 594,237	\$ 128,338	\$ 92,019	\$ 104,829	\$ 176,548	\$ 94,407	\$ 111,895	\$ 92,894	\$ -
Assigned	10,440,351	6,093,887	4,084,101	1,829,145	1,713,505	1,106,223	825,205	509,909	206,802	360,351
Unassigned	22,971,611	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
Total general fund	\$ 34,168,391	\$ 30,237,078	\$ 20,044,676	\$ 21,901,803	\$ 21,769,325	\$ 18,655,635	\$ 16,170,733	\$ 14,109,841	\$ 12,573,698	\$ 11,553,814
All other governmental funds:										
Nonspendable	\$ -	\$ 658,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,025,042	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
Committed	-	-	-	-	-	-	-	5,966,663	6,466,663	6,966,663
Assigned	23,878,416	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
Total all other governmental funds	\$ 27,903,458	\$ 23,923,093	\$ 24,517,821	\$ 25,975,311	\$ 22,979,014	\$ 21,750,372	\$ 20,363,401	\$ 17,122,583	\$ 15,181,938	\$ 13,298,552

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
REVENUES										
Local taxes	\$ 46,935,561	\$ 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
Licenses and permits	604,697	303,375	484,622	297,436	189,947	175,562	186,482	172,375	155,993	98,256
Intergovernmental	14,483,856	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
Charges for services	7,527,566	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
Fines, forfeitures and penalties	499,167	331,278	334,346	267,782	323,888	273,691	368,526	439,623	393,505	423,765
Other revenue	496,475	929,963	1,015,349	1,097,696	330,285	451,523	175,938	163,813	286,043	276,798
Total revenues	70,547,322	60,615,410	51,111,997	51,885,831	48,171,188	46,310,695	42,580,679	40,692,174	39,958,510	33,186,002
EXPENDITURES										
Current:										
General government	12,613,652	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
Public safety	12,870,064	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
Public works	6,667,029	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
Culture and recreation	6,082,700	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
Contingency reserves	-	-	-	-	-	-	72,441	53,607	118,788	166,457
Debt administration:										
Principal	9,170,000	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
Interest	4,929,317	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
Debt service charges	333,802	279,755	293,974	409,631	415,718	420,231	422,092	570,068	448,742	537,437
Bond issuance costs	-	-	208,449	-	331,010	-	-	115,662	461,158	194,860
Capital outlay	12,260,333	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
Total expenditures	64,926,897	54,633,642	65,415,021	50,853,751	91,140,606	44,110,362	39,385,164	44,338,562	42,249,484	33,580,783
Excess (deficiency) of revenues over expenditures	5,620,425	5,981,768	(14,303,024)	1,032,080	(42,969,418)	2,200,333	3,195,515	(3,646,388)	(2,290,974)	(394,781)

(Continued)

CITY OF SEVIERVILLE, TENNESSEE

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 13,843,755	\$ 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
Transfers out	(11,552,502)	(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)
Refunding bonds issued	-	-	-	-	42,760,000	-	-	5,680,000	72,605,000	9,160,000
Premium on refunding bonds issued	-	-	1,103,449	-	2,876,010	-	-	33,612	6,238,273	284,860
Proceeds from issuance of bonds	-	-	7,765,000	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	(75,000,000)	(9,250,000)
Proceeds from sale of capital assets	-	-	-	30,906	57,421	119,020	605,958	50,171	-	-
Total other financing sources (uses)	2,291,253	3,615,906	10,988,407	2,096,695	47,311,747	1,671,543	2,106,195	7,123,176	5,200,452	(20,144)
SPECIAL ITEMS										
Grant from primary government to component unit	-	-	-	-	-	-	-	-	(147,904)	-
Net change in fund balances	\$ 7,911,678	\$ 9,597,674	\$ (3,314,617)	\$ 3,128,775	\$ 4,342,329	\$ 3,871,876	\$ 5,301,710	\$ 3,476,788	\$ 2,761,574	\$ (414,925)
Debt service as a percentage of noncapital expenditures	26.77%	29.09%	40.77%	25.85%	61.57%	20.99%	20.32%	31.95%	28.14%	28.24%

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
2022	\$ 354,298,115	\$ 601,478,780	\$ 69,546,585	\$ 253,495	\$ 1,025,576,975	32.61%	\$ 3,145,008,434	\$ 0.4254
2021	350,015,990	587,023,020	70,142,234	253,495	1,007,434,739	32.56%	3,093,726,044	0.4970
2020	281,060,205	516,221,660	42,098,767	248,160	839,628,792	32.37%	2,593,979,745	0.4970
2019	277,527,705	501,933,820	46,004,728	248,160	825,714,413	32.62%	2,531,027,335	0.4970
2018	312,723,480	429,770,820	41,758,230	248,160	784,500,690	31.58%	2,484,317,680	0.4970
2017	294,287,275	447,258,655	45,569,249	248,160	787,363,339	31.90%	2,468,073,333 (2)	0.4970
2016	292,946,573	392,424,637	44,135,414	226,050	729,732,674	31.42%	2,322,227,972	0.4970
2015	306,973,600	377,947,080	38,727,150	226,050	723,873,880	31.44%	2,302,255,849	0.3100
2014	311,244,825	364,183,920	38,817,396	226,050	714,472,191	31.26%	2,285,241,230	0.3100
2013	308,956,500	361,528,760	40,925,690	226,050	711,637,000	31.26%	2,276,477,744	0.3100

(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 2021 (fiscal year 2022).

(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

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

Fiscal Year	Tax Year	Direct Rate		Overlapping Rate	Total Direct and Overlapping Rates
		City of Sevierville		Sevier County	
2022	2021	\$	0.4254	\$1.48	\$1.91
2021	2020		0.4970	1.86	2.36
2020	2019		0.4970	1.86	2.36
2019	2018		0.4970	1.86	2.36
2018	2017		0.4970	1.86	2.36
2017	2016		0.4970	1.86	2.36
2016	2015		0.3100	1.88	2.19
2015	2014		0.3100	1.63	1.94
2014	2013		0.3100	1.63	1.94
2013	2012		0.3100	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 2021			Tax Year 2012		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
1	Wyndham	\$ 73,146,120	1	7.13%	\$ 38,835,841	1	5.48%
2	Five Oaks Development Group	52,887,550	2	5.16%	34,569,451	2	4.88%
3	Wilderness Development	22,876,480	3	2.23%	26,354,447	3	3.72%
4	Charles Blalock & Sons	12,340,316	4	1.20%	-	N/A	
5	Ogle, Ronald & Betty	10,217,365	5	1.00%	6,560,440	8	0.93%
6	M & S Properties, LLC	9,977,945	6	0.97%	8,775,690	5	1.24%
7	Denton Properties #1, LLC	9,405,146	7	0.92%	-	N/A	
8	Swaggerty's Sausage Co.	8,973,429	8	0.87%	-	N/A	
9	Miller Land Partnership	7,690,315	9	0.75%	7,717,925	6	1.09%
10	BS & J Enterprises, LPC	7,633,740	10	0.74%	6,942,969	7	0.98%
	The Universe LLC				10,265,270	4	1.45%
	Mountain National Bank				5,998,466	9	0.85%
	Sevier County Bank				5,776,443	10	0.81%
		<u>\$ 215,148,406</u>		<u>20.97%</u>	<u>\$ 151,796,942</u>		<u>21.43%</u>

Source: City Finance Department

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

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

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
2022	\$ 4,289,917	\$ 4,229,361	98.59%	\$ -	\$ 4,229,361	98.59%
2021	4,158,452	4,074,097	97.97%	80,448	4,154,545	99.91%
2020	4,130,285	4,022,246	97.38%	105,346	4,127,592	99.93%
2019	3,933,224	3,828,004	97.32%	103,997	3,932,001	99.97%
2018	3,946,385	3,852,251	97.61%	91,640	3,943,891	99.94%
2017	3,902,705	3,794,184	97.22%	106,482	3,900,666	99.95%
2016	2,290,235	2,203,856	96.23%	85,689	2,289,545	99.97%
2015	2,281,526	2,150,207	94.24%	130,447	2,280,654	99.96%
2014	2,239,645	2,109,346	94.18%	129,668	2,239,014	99.97%
2013	2,222,833	2,066,742	92.98%	155,257	2,221,999	99.96%

Source: Finance Department

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					
2022	\$ 143,643,318	\$ 30,742,295	\$ 1,944,416	\$ 176,330,029	**	**	**
2021	153,199,314	33,821,283	2,388,866	189,409,463	**	18,310	\$ 10,345
2020	161,635,312	36,180,874	2,833,316	200,649,502	**	17,889	11,216
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

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

(2) Personal income is disclosed on page 139.

(3) United States Census Bureau

** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

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

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Less: Amounts Available for Debt Service (2)</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (3)</u>	<u>Debt Per Capita (4)</u>
2022	\$ 174,385,613	\$ 2,573,930	\$ 171,811,683	5.46%	**
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

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 132 for property value data.

(4) Population data can be found in the Schedule of Demographic and Economic Statistics on page 139.

** Data not available

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2022**

<u>Jurisdiction</u>	<u>Net Direct Outstanding Debt</u>	<u>Percentage Applicable to Government</u>	<u>Direct and Overlapping Debt</u>
City of Sevierville	\$ 143,643,318	100.00%	\$ 143,643,318
Sevier County	<u>116,849,542</u>	16.90%	<u>19,747,573</u>
	<u>\$ 260,492,860</u>		<u>\$ 163,390,891</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

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Personal Income</u>	<u>Unemployment Rate (3)</u>
2022	**	**	**	**
2021	18,310	**	**	2.60%
2020	17,889	\$ 24,337	**	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%

- Sources:
- (1) U.S. Census Bureau, estimates as of beginning of each fiscal year; Population variation due to actual census in April 2020, 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

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

Employer	2022			2013		
	Employees	Rank	Percentage of Total Gov't Employment	Employees	Rank	Percentage of Total Gov't Employment
Sevier County School System	2,572	1	**	2,423	1	16.92%
Tanger Five Oaks Outlet	800	2	**	600	4	4.19%
Charles Blalock & Sons	800	3	**	N/A	N/A	N/A
Collier Food Groups	720	4	**	670	2	4.68%
Ole Smoky Moonshine	700	5	**	N/A	N/A	N/A
Sevier County	650	6	**	519	6	3.63%
Wilderness of the Smokies	634	7	**	634	3	4.43%
LeConte Medical Center	546	8	**	550	5	3.84%
Wal-Mart	527	9	**	506	7	3.53%
Swaggerty's Farms	425	10	**	N/A	N/A	N/A
	<u>8,374</u>		<u>0.00%</u>	<u>5,902</u>		<u>41.22%</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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government	37	35	35	35	35	34	35	43	41	32
Public safety										
Police										
Officers	64	58	57	58	58	60	60	60	60	60
Civilians	18	18	18	16	16	14	14	14	14	14
Fire										
Firefighters and officers	51	49	43	37	38	38	34	35	33	33
Civilians	1	1	1	1	1	1	1			
Codes enforcement	4	4	4	5	5		10	6	7	7
Public works										
Streets/Traffic	27	22	21	22	22	15	12	17	14	17
City garage	8	7	7	7	7	7	7	7	8	8
Sanitation	12	11	11	11	11	11	11	11	11	11
Culture and recreation	23	23	22	22	23	23	31	33	39	26
Water/Sewer	50	44	49	49	49	49	48	48	47	48
Convention Center	10	10	10	10	10	10	10	10	10	0
Golf Course	10	9	10	10	8	8	7	8	12	0
Public Building Authority	0	0	0	0	0	0	0	0	0	26
Total	315	291	288	283	283	270	280	292	296	282

Sources: Various city departments budgeted employees

See independent auditor's report.

CITY OF SEVIERVILLE, TENNESSEE

**Operating Indicators by Function
Last Ten Years**

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government:										
Building permits issued	455	381	478	256	216	240	230	187	206	184
Public safety:										
Number of police (regular employees)	65	68	73	74	74	74	74	74	74	74
Number of arrests	3,677	3,706	3,666	2,932	904	2,089	2,037	3,229	3,427	2,893
Number of traffic violations	5,914	4,224	3,767	4,618	5,375	5,935	7,791	8,390	7,722	6,834
Number of parking violations	0	0	0	0	2	2	0	17	2	2
Number of paid firefighters (regular employees)	54	49	43	37	33	35	35	35	34	33
Number of fire emergency responses	3,439	3,319	2,851	2,889	2,734	2,505	2,176	1,972	1,885	1,710
Number of fires extinguished	118	126	102	85	102	89	106	77	84	88
Number of fire inspections	1,087	1,117	1,210	1,004	974	343	852	590	906	432
Public works:										
Tons collected and disposed:										
Solid waste	18,033	14,648	13,230	13,056	12,093	11,479	11,545	10,958	10,693	10,912
Metal	**	**	**	**	5	17	16	11	9	18
Papers	**	**	**	**	**	**	**	**	**	82
Recyclable containers	74	171	197	456	403	410	498	436	70	98
Leaves (tonnage)	109	234	314	321	287	309	363	293	395	327
Number of shade trees:										
Planted - Parks and Recreation	200	150	50	50	68	52	72	60	50	56
Removed - Parks and Recreation	20	20	17	17	17	30	20	25	15	86
Trimmed - Parks and Recreation	300	300	325	325	390	475	350	600	500	462
Stumps removed - Parks and Recreation	15	15	34	34	13	25	5	10	**	5
Recreation and parks:										
Field permits issued	30	30	30	30	28	28	27	25	20	20
Recreation permits issued - memberships and shelter reservations	5500	500	434	434	2767	9917	7512	5,202	6,800	6,221
Number of youth programs	6	6	6	6	6	7	7	5	4	4
Number of adult programs	15	7	7	7	7	6	6	6	4	4
Number for senior citizens programs	15	4	4	4	4	4	4	3	1	1
Water:										
Average daily distribution (gallons)	5,165,000	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
Number of metered accounts (water customers)	12,603	12,302	12,504	11,794	12,200	12,346	12,200	12,440	12,640	12,312
Number of fire lines	233	229	220	200	200	200	199	192	188	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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)	3	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	6	5	4	4	4
Miles of streets (approximate)	266	266	260	266	260	260	202	202	202	202
Miles of sanitary sewers (sewer mains) (2)	246	246	244	244	301	301	299	299	299	296
Miles of storm water drains (approximate)	14	14	14	14	15	15	15	15	15	15
Recreation and Parks:										
Number of parks and recreation facilities	25	25	25	25	25	25	25	22	22	20
Acres of parks/areas maintained	163	163	163	163	150	150	150	130	130	123
Water:										
Miles of water mains (1)	325	322	385	319	303	324	379	375	375	374
Number of fire hydrants (inside)	1,101	1,101	1,086	1,085	1,088	1,152	1,162	1,175	1,175	1,153

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, 2022, 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 21, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 21, 2022

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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

Opinion on Each Major Federal Program

We have audited the City of Sevierville, Tennessee's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under these standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Sevierville, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Sevierville, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Sevierville, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Brown Jake & McDaniel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
December 21, 2022

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, 2022.

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 21.027 – COVID-19 - U.S. Department of the Treasury –
Coronavirus State and Local Fiscal Recovery Funds – 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 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, 2022

There were no prior year findings.