

CITY OF ALCOA

CITY OF ALCOA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2020



"Excellence in Service - Quality of Life"

CITY OF ALCOA, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020

Prepared By:

Brittany Spence, CMFO
Director of Finance and Administration

CITY OF ALCOA, TENNESSEE

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223 Associates Blvd., Alcoa, TN 37701

Phone: 865-380-4700 Fax: 865-380-4797

December 7, 2020

Honorable Mayor
City Commission
Citizens of the City of Alcoa, Tennessee

The financial statements of the City of Alcoa, Tennessee (the “City”) for the fiscal year ended June 30, 2020 are submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included. Also included is Management’s Discussion and Analysis (MD&A) which presents a narrative overview of the financial activities of the City.

These financial statements represent management’s report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, and other agencies that have expressed an interest in the City of Alcoa, Tennessee’s financial matters. Copies of this financial report will also be placed in the Alcoa Municipal Building for use by the general public.

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water, sewer, electric utility services, development services, municipal courts, a K-12 education system, recreational and cultural activities, streets, traffic control, refuse collection, general administrative services and operation of the Alcoa-Maryville-Blount County Landfill.

PROFILE OF THE GOVERNMENT

The City of Alcoa is a unique and culturally diverse community located in Blount County, Tennessee and forms the southern portion of the Knoxville metropolitan area. The U.S. Census 2019 estimated population of Blount County is 133,088. The City of Alcoa’s 2019 estimated population is 10,499 which represents a 24% increase over the 2010 Census population of 8,449. The City was originally designed to serve as a company town by the Aluminum Company of America beginning around 1910. The Alcoa Company of America was attracted to this area because of the abundance of water power resources. The Little Tennessee River and its tributaries were considered a good source of the hydroelectric energy essential to the aluminum production process. After construction of a series of dams and the initial aluminum smelting facility, the company began actual construction of the town site in 1917. The City of Alcoa was formally chartered by private act of the Tennessee General Assembly effective July 1, 1919.

The City is governed by a City Manager-Commission form of government. The governing body of the City is a five member City Commission who serve a four-year term of office. The elections for Commissioners are held on a staggered basis every two years. Following each regular biennial City election, the Commission elects two of its members to serve for a two-year period as Mayor and Vice Mayor, respectively. The Commission is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and appointing a City Manager. The City Manager is responsible for carrying out the policies and ordinances of the commission and for overseeing the day-to-day operations of the City, as well as appointing heads of the various departments.

In addition to providing utility services to its citizens, the City provides water, sewer and electric services to customers who reside well beyond the corporate limits. The City’s electric department covers approximately 2/3 of Blount County and provides power to nearly 30,000 customers. The City’s water system extends

predominantly over the northern and eastern portions of the County with the sewer system extending in the same general area but to a lesser degree. Current water and sewer customers total approximately 10,300 and 6,600 respectively. Additionally, the City furnishes wholesale water to Tuckaleechee Utility District which provides water to customers in the Walland and Townsend areas near the Great Smoky Mountains.

The annual budget serves as the foundation for the City of Alcoa's financial planning and control. The budget preparation process starts in late January, when City departments begin assessing their needs for the coming year. The City Manager and Finance Director along with each Department Head begin meeting in March and April to discuss proposed budgets. The City Manager in mid-May presents his proposed budget for the upcoming fiscal year to the City Commission during a budget work session. The first reading of the Appropriation and Tax Levy Ordinances is presented in June at the Commission's regular meeting and the second and final reading at a called meeting prior to July 1. A Public Hearing on the proposed budget will be held at one of the June meetings.

The City of Alcoa is a benchmark community. Its citizens are safe, well served, and proud of their neighborhoods. Comprehensive services are provided to citizens and customers using the latest available methods and technology. Employees are professional, effective and a superior quality of life is emphasized.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Alcoa operates.

Local Economy

The City of Alcoa has experienced a fairly steady growth in the local economy since the great recession of 2009. Sales tax revenues have increased by over 47% after adjusting for the 2012 sales tax rate increase since FY 2010. Over that same period, growth in property values along with net new construction have led to an increase in tax appraised values of over 25%. New construction has primarily been in the area of both single family and multifamily residential developments which is evidenced in the population growth mentioned above. Although online sales have dampened the expansion opportunities of large retailers, the City has seen modest growth in new construction initiated by smaller chains, independent retailers, banks and restaurants over the past year.

In terms of job growth, the joint Economic Development Board (EDB) created by the cities of Maryville, Alcoa and Blount County has seen tremendous success in creating new jobs by attracting new manufacturers and facilitating expansions of existing employers such as Denso Manufacturing and Arconic (formerly Alcoa, Inc.) In 2019, Cirrus Aircraft completed construction on their fourth facility at McGhee Tyson Airport. Since 2010, the EDB has secured over \$2.4 billion in new capital investment which has brought 5,100 new jobs to Alcoa, Maryville and Blount County. As a result, the local unemployment rate is only 4.7% as compared to 6.2% for the State of Tennessee and 7.9% for the United States.

The City entered into an agreement in FY16 with Arconic and a private developer to create a mixed-use urban development on the 300-acre former West Plant site, now known as Springbrook Farm. The City will invest approximately \$11 million in infrastructure in exchange for a secured interest in the property and a portion of the proceeds from future property sales. An additional \$5 million has been earmarked for related road improvements. A 6,000 foot boulevard including utilities was completed in August 2018. The master plan provides for over 700,000 square feet of retail and office space, 500 hotel rooms and over 1,300 residential units consisting of a mix of single-family lots, townhomes, apartments, and senior living facilities. As of this writing, construction of a national brand hotel is nearing completion and a major restaurant is scheduled to begin construction within the next few months. Site grading is currently underway for a new supermarket as well as a 300-unit upscale apartment complex with construction targeted for March 2021.

Finally, a development agreement is in the final stages for construction of a massive regional distribution center from a major national company. The company plans to construct a 650 thousand square foot facility with investment in excess of \$200 million. The facility is scheduled to be operational within two years and will create

800 to 1,000 new jobs in Blount County. Negotiations are nearing completion and the development agreement is expected to be executed before the end of November 2020.

Long-term Financial Planning

The City has made long-term financial provisions for various projects that will need to be undertaken in the next five years. The City is in the process of constructing several greenway projects which will link existing trail segments to school campuses and commercial centers (including the aforementioned Springbrook Farm.) Phase I of construction was completed in June 2020 with Phase II scheduled to be complete by the summer of 2021. These projects total approximately \$5.1 million with most being funded using 80% grants from the Tennessee Department of Transportation (TDOT). The City's share stems from a prior year bond issue which was appropriated into a capital projects fund.

In June 2020, to consolidate debt, the City issued a \$28.3 million general obligation refunding bond. Although no new funds were received through this transaction the City will ultimately save approximately \$7.4 million over the life of the debt. The City plans to issue an additional refunding bond in December 2020 in relation to the Water & Sewer utility that will replace synthetically fixed interest rates with a traditional fixed interest rate.

The City is considering a 2021 bond issue to cover a Phase I expansion to the existing intermediate school. The intermediate school is currently at capacity and long-term system-wide enrollment projections predict it will become a major bottleneck within a few years. The City School Board has commissioned a consultant to evaluate current and projected additional space needs for both classroom and support functions. That report indicates that the additional classroom and ancillary space needs would cost in excess of \$25 million. As a result, the City will approach the project in phases with the first being a classroom addition with an estimated cost of \$12-14 million. In anticipation of this project, the City Commission increased the property tax rate from \$1.96 per \$100 of assessed valuation to \$2.27 for Fiscal Year 2020. However, the Commission deferred authorizing the project until it was certain that development would occur in Springbrook Farm which would enhance both the property and sales tax base for the City. Now that development is taking place in Springbrook Farm, as discussed above, it is anticipated that the Commission will authorize bonds to be issued in early FY 2021 or early FY 2022.

Internal Control

The management of the City of Alcoa is responsible for establishing and maintaining a system of internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The City also maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Commission. Activities of the General Fund, Special Revenue Funds, Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by City Commission. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal year ended June 30, 2020 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws, regulations, or other matters.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Pugh CPAs has been selected by the City Commission to perform our audit. The auditors' report on the financial statements is included in the financial section of the report.

In addition to this report, Pugh CPAs was also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act and the related Uniform Guidance.

Awards


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alcoa for its comprehensive annual financial report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

Acknowledgment

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division, the assistance of administrative personnel in the various departments, and the valuable guidance and assistance of the staff of Pugh CPAs. To them and to the City commission for their support and interest in improving Alcoa's fiscal policies and practices, we express our sincere appreciation.

Respectfully yours,



Mark L. Johnson, CPA
City Manager



Brittany Spence, CMFO
Director of Finance & Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Alcoa
Tennessee**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



City of Alcoa

ALCOA VOTERS

BOARD of COMMISSIONERS

CITY MANAGER

Deputy City Manager

Computer Info. Systems

City Attorney

Human Resources

Municipal Bldg. Maintenance

Electric Department

Engineering

Utility Services

Distribution Maintenance Construction

Customer Service

Planning & Codes Department

Planning

Codes & Inspections

Public Works & Engineering Department

Administration

Engineering

Sanitation

Streets Construction

Water/Sewer

Landfill

Support Services

Finance & Administration Department

Financial Management

Accounting

Purchasing

Collections

Customer Service

Fire Department

Prevention

Suppression

First Responder

Emergency Mgmt. Coordination

Police Department

Administration

Investigation

Patrol

Animal Control

CITY OF ALCOA

City Officials

CITY OF ALCOA, TENNESSEE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

BOARD OF COMMISSIONERS

Odis Clint Abbott, Jr., Mayor
Jim Buchanan, Vice Mayor
Vaughn Belcher, Commissioner
Tanya Martin, Commissioner
Ken White, Commissioner

Mark L. Johnson, CPA, City Manager
Brittany Spence, CMFO, Interim Director of Finance

FINANCIAL SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of Board of Commissioners,
and City Manager of City of Alcoa
Alcoa, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and education fund, and the aggregate remaining fund information of City of Alcoa, Tennessee (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the general purpose school fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages x - xx and the required supplementary information on pages 66 - 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Alcoa's basic financial statements. The introductory, supplementary information and statistical information sections, and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* on pages 152 - 154, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplementary information section as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the 2020 basic financial statements as a whole. The financial statements as of June 30, 2019, and for the year then ended were audited by other auditors in accordance with auditing standards generally accepted in the United States of America whose report dated December 30, 2019 stated that in their opinion the 2019 accompanying supplemental section was fairly stated in all material respects in relation to the basic financial statements as of and for the year ended June 30, 2019, taken as a whole.

The information included in the introductory and statistical information section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the City'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'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 Alcoa's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 7, 2020



223 Associates Blvd., Alcoa, TN 37701

Phone: 865-380-4700 Fax: 865-380-4797

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Alcoa's (the City) Consolidated Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

Financial Highlights

- The City's net position at June 30, 2020 is \$100,868,732 an increase of \$11,881,175. Of this amount, \$6,543,933 is unrestricted which may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2020, the City's governmental activities reported combined ending net position of \$28,946,965, an increase of \$6,310,028 over the prior year.
- The City's General Fund reported total fund balance of \$8,754,196 on June 30, 2020, an increase of \$2,236,097. This fund balance is 33% of total general fund revenue.
- On June 30, 2020, the City's Education Fund reported total fund balance of \$1,238,680, an increase of \$257,269 from last fiscal year. Fund balance of the Education Fund is 6% of total revenue. Tennessee State Law requires schools to maintain a minimum fund balance of 3% (TCA 49-3-352).
- The City refunded existing debt in 2020 but no new funds were received.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the current 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 in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the City 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). The governmental activities of the City include mayor and commission, police, fire, community services, public works, community relations, city manager, recorder, municipal court, development services, economic development, financial services, human resources, and information technology. The business-type activities of the City include stormwater utility, water and sewer utility, electric utility, and landfill.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into the following two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. However, these statements focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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 City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). 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, education (special revenue fund), and the general obligation debt service fund, which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements.

The City adopts an annual appropriated budget for the general, special revenue, capital projects, and general obligation debt service. Budgetary comparison statements have been provided in the basic financial statements for the general, capital projects, and special revenue funds to demonstrate compliance with the budget. These statements for the non-major special revenue, capital projects, and general obligation debt service funds are included in Other Supplementary Information.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, but in more detail. The City maintains two types of proprietary funds:

- *Enterprise Funds:* Used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Stormwater Utility, Water and Sewer Utility, Electric Utility, and Landfill operations. All enterprise funds are major funds of the City.
- *Internal Service Funds:* Used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance, flexible spending, OPEB and Service Center operations. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in the financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Statements

Analysis of Net Position

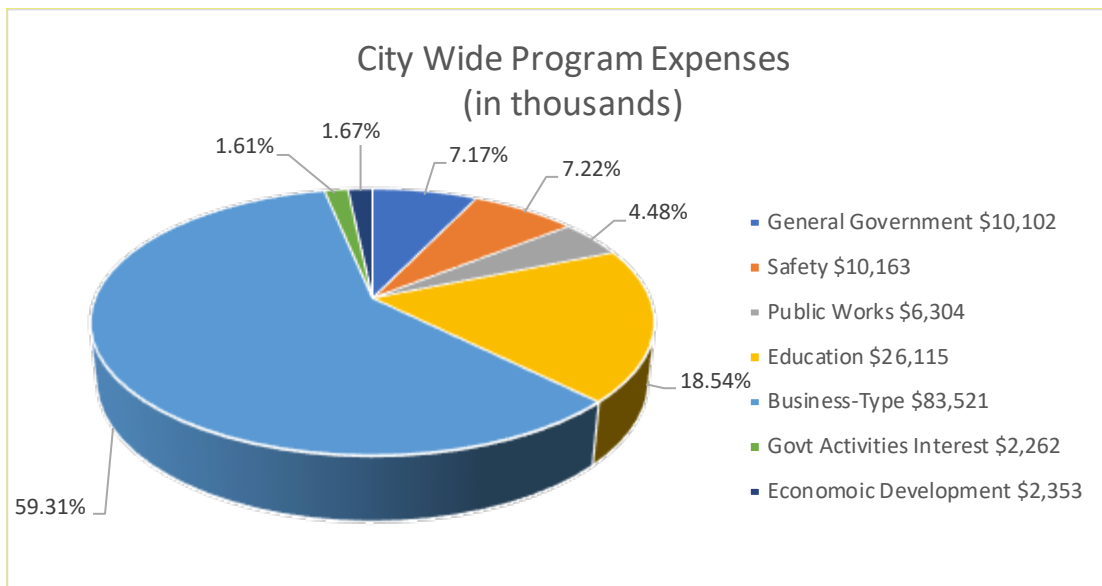
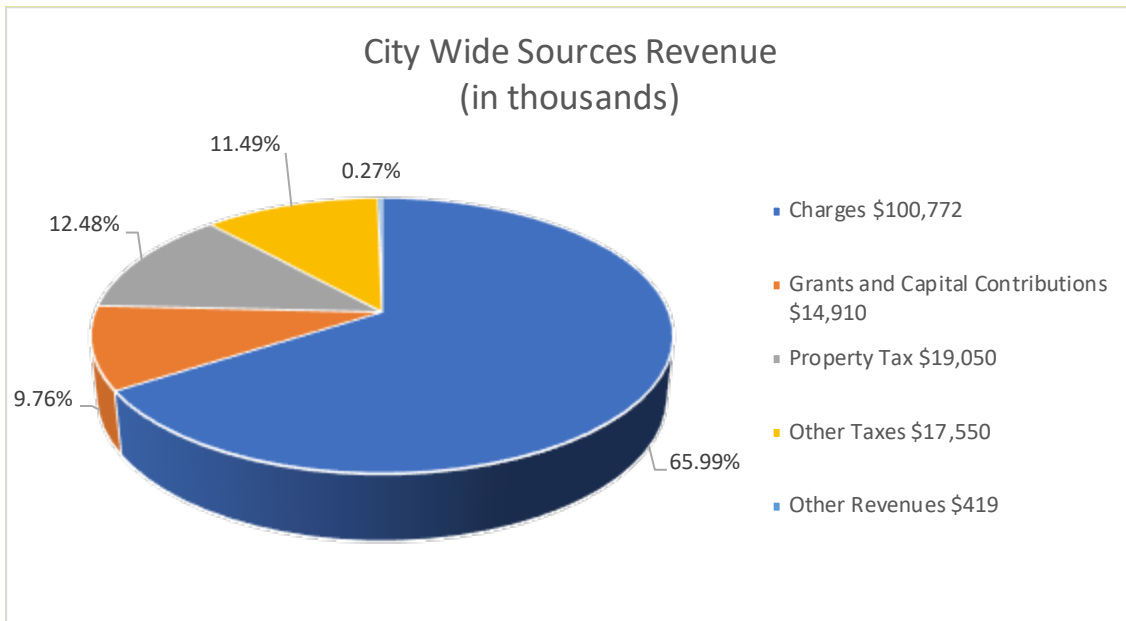
Over time, net position may serve as a useful indicator of a government’s financial position. As shown on the following statement, the City’s net position is \$100,868,732 at the close of the most recent fiscal year. The largest portion of the City’s net position (82%) reflects its net investment of \$82.9 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less related debt used to acquire those assets that are outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, as the capital assets themselves cannot be liquidated for these liabilities. An additional portion of the City’s net position, \$11.3 million (11%) represents resources that are subject to external restrictions on how they may be used.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current and Other Assets	\$ 33,733,318	\$ 39,082,627	\$ 45,177,834	\$ 42,472,992	\$ 78,911,152	\$ 81,555,619
Capital Assets (net)	105,656,884	95,661,174	117,820,577	118,660,636	223,477,461	214,321,810
Total Assets	<u>139,390,202</u>	<u>134,743,801</u>	<u>162,998,411</u>	<u>161,133,628</u>	<u>302,388,613</u>	<u>295,877,429</u>
Deferred Outflows of Resources:						
Deferred Pension and OPEB Outflow s	6,221,858	5,635,828	3,336,051	2,765,933	9,557,909	8,401,761
Deferred Bond Refunding Costs	69,082	0	445,200	1,015,438	514,282	1,015,438
Accumulated Change in Fair Value of Interest Rate Sw aps	206,565	316,187	7,602,232	5,616,816	7,808,797	5,933,003
Total Deferred Outflow s of Resources	<u>6,497,505</u>	<u>5,952,015</u>	<u>11,383,483</u>	<u>9,398,187</u>	<u>17,880,988</u>	<u>15,350,202</u>
Liabilities:						
Other Liabilities	3,124,709	3,473,266	12,984,502	14,632,566	16,109,211	18,105,832
Long-Term Liabilities	95,588,511	98,520,528	88,602,680	89,152,682	184,191,191	187,673,210
Total Liabilities	<u>98,713,220</u>	<u>101,993,794</u>	<u>101,587,182</u>	<u>103,785,248</u>	<u>200,300,402</u>	<u>205,779,042</u>
Deferred Inflows of Resources:						
Deferred Revenue - Property Tax	13,472,910	12,916,005	0	0	13,472,910	12,916,005
Deferred Pension and OPEB Inflow s	4,754,612	3,149,080	839,612	345,947	5,594,224	3,495,027
Deferred Bond Refunding Costs	0	0	33,333	50,000	33,333	50,000
Total Deferred Inflow s of Resources	<u>18,227,522</u>	<u>16,065,085</u>	<u>872,945</u>	<u>395,947</u>	<u>19,100,467</u>	<u>16,461,032</u>
Net Position:						
Net Investment in Capital Assets	24,517,065	28,049,182	58,479,351	55,863,096	82,996,416	83,912,278
Restricted	11,328,383	3,710,323	0	0	11,328,383	3,710,323
Unrestricted (deficit)	(6,898,483)	(9,122,568)	13,442,416	10,487,524	6,543,933	1,364,956
Total Net Position	<u>\$ 28,946,965</u>	<u>\$ 22,636,937</u>	<u>\$ 71,921,767</u>	<u>\$ 66,350,620</u>	<u>\$ 100,868,732</u>	<u>\$ 88,987,557</u>

Analysis of Change in Net Position

The following statement and associated graph indicate an increase in net position as of June 30, 2020 of \$11,881,175. Normal operations increased net position by \$11.8 million, despite a \$368 thousand decrease related to fees in the enterprise funds. Sales and other state taxes grew approximately \$1 million from FY2019, which includes a \$138 thousand increase in sales taxes. Property taxes grew \$3.3 million, mainly due to a property tax rate increase on the 2019 tax roll. Business taxes grew by \$145 thousand despite the economic downturn related to the COVID-19 pandemic. Operating grants grew by approximately \$1.4 million, largely due to increased TDOT project activity. The expense side increased \$2.9 million for governmental activities but decreased \$2.3 million in business-type activities resulting in a net increase of \$619 thousand in total expenses.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services	\$ 10,841,798	\$ 9,210,303	\$ 89,930,966	\$ 90,298,912	\$ 100,772,764	\$ 99,509,215
Operating Grants and Contributions	13,982,663	12,548,373	1,260	25,941	13,983,923	12,574,314
Capital Grants and Contributions	137,600	260,050	787,977	193,093	925,577	453,143
General Revenues:						
Sales and Other State Taxes	15,781,259	14,776,099	0	0	15,781,259	14,776,099
State Income Taxes	128,518	91,846	0	0	128,518	91,846
Property Taxes	17,853,420	14,535,523	0	0	17,853,420	14,535,523
Business Taxes/Licenses	1,023,424	878,570	0	0	1,023,424	878,570
Miscellaneous Taxes	617,090	669,610	0	0	617,090	669,610
In-Lieu of Taxes	1,196,851	1,172,589	0	0	1,196,851	1,172,589
Interest Income	287,206	262,877	131,527	179,461	418,733	442,338
Total Revenues	61,849,829	54,405,840	90,851,730	90,697,407	152,701,559	145,103,247
Expenses						
General Government	10,102,269	7,691,090	0	0	10,102,269	7,691,090
Public Safety	10,163,133	10,515,653	0	0	10,163,133	10,515,653
Public Works	6,303,387	6,599,273	0	0	6,303,387	6,599,273
Economic Development	2,353,303	2,262,364	0	0	2,353,303	2,262,364
Education	26,115,353	25,055,763	0	0	26,115,353	25,055,763
Interest on Long-Term Debt	2,262,253	2,248,871	0	0	2,262,253	2,248,871
Stormwater Utility	0	0	1,189,745	1,267,648	1,189,745	1,267,648
Water and Sewer	0	0	13,198,361	12,756,765	13,198,361	12,756,765
Electric Utility	0	0	65,026,188	67,833,110	65,026,188	67,833,110
Landfill	0	0	4,106,392	3,971,137	4,106,392	3,971,137
Total Expenses	57,299,698	54,373,014	83,520,686	85,828,660	140,820,384	140,201,674
Change in Net Position Before Transfers	4,550,131	32,826	7,331,044	4,868,747	11,881,175	4,901,573
Transfers-In Lieu of Tax Payments	2,042,775	1,535,975	(2,042,775)	(1,535,975)	0	0
Transfers-Capital Assets	(282,878)	(3,868,460)	282,878	3,868,460	0	0
Change in Net Position	6,310,028	(2,299,659)	5,571,147	7,201,232	11,881,175	4,901,573
Net Position at Beginning of Year	22,441,915	24,741,574	66,350,620	59,149,388	88,792,535	83,890,962
Restatement	195,022	0	0	0	195,022	0
Net Position at End of Year	\$ 28,946,965	\$ 22,441,915	\$ 71,921,767	\$ 66,350,620	\$ 100,868,732	\$ 88,792,535



Governmental Activities:

- Governmental activities increased the City's governmental net position by \$6,310,028.
- Governmental activities revenue increased by \$7.4 million over the prior year primarily due to an increase of \$3.3 million in property taxes, an increase of \$1.6 million in charges for services, and an increase of \$1 million in sales and other state taxes.
- Expenses increased by \$2.9 million or 5%, due primarily to increases in general government and education.

Business-type Activities:

- Business-type activities increased the City's net position by \$5,571,147.
- The Electric Utility is the largest business-type activity with operating revenues of \$67,342,883 and total operating expenses of \$64,756,843. Of that amount, Purchased Power expense totaled \$49,544,537 which is a decrease of \$2.9 million or 6% from the prior year. The residential customer charge for Electric service was increased by an additional \$1 per month beginning October 1, 2018 for the purpose of expanding the Electric Department's tree trimming efforts. The increase in tree trimming expenditures accounts for most of the \$243 thousand increase in distribution expense recorded for FY 2020.

The Water and Sewer Utility ended the fiscal year with total operating revenues of \$15,872,300, operating expenses of \$11,477,230 and a change in net position of approximately \$3 million. A \$1.3 million increase in revenue is primarily due to increased industrial water and sewer usage as well as an automatic annual consumer price index (CPI) adjustment on rates. On the expense side, normal operations increased by \$489 thousand due to an increase in depreciation.

- The Landfill Utility Fund ended the fiscal year with a change in net position of \$1.3 million. This is an increase of \$294,956 over the prior year and is mainly due to an increase in the consumer price index (CPI) on tipping fees per ton of refuse.
- The Stormwater Utility ended the fiscal year with a change in net position of \$506,511. This is a decrease of \$658,973 from the prior year and is mainly due to an extraordinary large increase in prior year capital contributions for the Springbrook Farm development stormwater facilities completed in FY19.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the fiscal year June 30, 2020, the City's governmental funds reported combined ending fund balances of \$20.8 million, an increase of \$1.3 million from 2019. The bulk of this increase is due to increased property tax revenue resulting from a 2019 property tax rate increase. Approximately \$8.3 million or 39.6% of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$8.3 million with total fund balance at \$8.8 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Total unassigned fund balance represents 41.7% of the \$19.8 million total general fund expenditures.

The Education Fund is the operating fund for Alcoa City Schools. As of June 30, 2020, the fund balance is \$1.2 million which is an increase of \$257,269 over the prior year amount of \$981,411. The fund balance represents 5.5% of the school's total budget of \$22.7 million. The primary reason for the increase is due to 2.4% growth in State Basic Education Funds (BEP) funds.

The Debt Service Fund is used to pay principal and interest for debt issued for City and School-related projects. The revenue in the Debt Service Fund is composed of transfers made by the General Fund. The committed fund balance at June 30, 2020 is \$1,648,124 reported in the Debt Service Fund. This can be used in the future to pay toward debt.

Schedules for Other Non-Major Governmental Funds, Capital Projects, and Special Revenue Funds are also found in the financial statements and discussed in the notes to the financial statements.

Proprietary Funds

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

As of June 30, 2020, the Stormwater Utility net position totaled \$2,574,415. The Stormwater Utility's revenues exceeded expenses and generated a change in net position of \$506,511. This is mainly due to decreased operational cost because of development delays relating to the COVID-19 pandemic.

Net position for the Water and Sewer Utility as of June 30, 2020 was \$25,921,105, an increase of \$3,064,347 from 2019. Increased industrial water and sewer consumption of \$1.1 million over the prior year contributed to much of the increase along with the annual CPI adjustment on rates.

Net position of the Electric Utility as of June 30, 2020 was \$38,392,250, an increase of \$716,122. Expenses during the current year were approximately \$2.3 million less than the prior year primarily due to a \$2.9 million decrease in purchased power. The decrease in purchased power was offset by a \$164 thousand increase in electric maintenance and a \$483 thousand increase in customer accounts, with the difference representing normal inflationary costs.

Net position of the Landfill Utility as of June 30, 2020 was \$5,033,997, an increase of \$1,284,167 primarily due to an increase in the CPI on tipping fees per ton of refuse.

Budget Highlights

General Fund

There were no General Fund budget amendments for the year ended June 30, 2020. General Fund revenues came in over budget by approximately \$437,356. Expenditures were under budget by approximately \$926,646 primarily due to the production slowdown caused by COVID-19 which resulted in limited availability of construction materials and delayed the purchase of several capital expenditures.

Capital Assets and Debt Administration

The City's capital assets for governmental and business type activities as of June 30, 2020 and 2019 amount to \$213,583,311 and \$214,321,810 (net of accumulated depreciation), respectively. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, capital lease property, and construction in progress.

The table below reflects the capital assets at the end of both fiscal years:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,197,302	\$ 2,197,302	\$ 3,754,381	\$ 3,754,381	\$ 5,951,683	\$ 5,951,683
Buildings	64,529,907	64,529,907	99,226,542	97,065,626	163,756,449	161,595,533
Infrastructure	52,828,537	51,222,688	0	0	52,828,537	51,222,688
Improvements	16,184,932	15,930,995	66,931,384	65,948,223	83,116,316	81,879,218
Machinery and Equipment	11,724,202	11,306,778	38,956,052	37,527,190	50,680,254	48,833,968
Capital Lease Property	9,894,150	9,894,150	0	0	9,894,150	9,894,150
Construction in Progress	5,013,396	2,945,917	2,498,086	1,766,066	7,511,482	4,711,983
Total Capital Assets	162,372,426	158,027,737	211,366,445	206,061,486	373,738,871	364,089,223
Less: Accumulated Depreciation	66,609,692	62,366,563	93,545,868	87,400,850	160,155,560	149,767,413
Net Capital Assets	<u>\$ 95,762,734</u>	<u>\$ 95,661,174</u>	<u>\$ 117,820,577</u>	<u>\$ 118,660,636</u>	<u>\$ 213,583,311</u>	<u>\$ 214,321,810</u>
Net Capital Assets - Beginning	\$ 95,661,174	\$ 99,508,865	\$ 118,660,636	\$ 117,076,864	\$ 214,321,810	\$ 216,585,729
Increase/(Decrease) in Net Capital Assets	101,560	(3,847,691)	(840,059)	1,583,772	(738,499)	(2,263,919)
Net Capital Assets - Ending	<u>\$ 95,762,734</u>	<u>\$ 95,661,174</u>	<u>\$ 117,820,577</u>	<u>\$ 118,660,636</u>	<u>\$ 213,583,311</u>	<u>\$ 214,321,810</u>

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

- Various equipment and vehicles were acquired for use in both governmental and business-type activities.
- Continued water line and sewer lines projects (new and rehab).
- Completion of Duck Pond Phase I improvements.
- Voltage and substation improvements and line extensions in the electric department.
- Construction in process for Landfill office building.
- Continued infrastructure construction in process at the Springbrook Farm development.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements (See Note 6 – Capital Assets) for further information regarding capital assets.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt obligations outstanding of \$184.2 million. Of this amount, \$129.8 million are general obligation bonds backed by the full faith and credit of the City. The estimated liability for Landfill closure and post closure costs is \$11.8 million. The remainder includes capital leases of \$6.9 million and compensated absences of \$1.9 million.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General Obligation/Revenue Bonds	\$ 70,680,000	\$ 76,905,000	\$ 59,125,000	\$ 62,379,584	\$ 129,805,000	\$ 139,284,584
Premium on Bonds	3,109,118	0	361,923	183,978	3,471,041	183,978
Capital Leases	6,892,544	7,304,785	0	0	6,892,544	7,304,785
Total Debt Payable	80,681,662	84,209,785	59,486,923	62,563,562	140,168,585	146,773,347
Compensated Absences	954,412	863,768	897,866	837,747	1,852,278	1,701,515
Pension Liability	6,206,919	6,683,673	5,857,965	6,337,970	12,064,884	13,021,643
OPEB Liability	7,538,953	5,254,404	2,974,524	2,696,202	10,513,477	7,950,606
Interest Rate Swap Liability	206,565	316,187	7,602,232	5,616,816	7,808,797	5,933,003
Estimated Liability for Closure/ Post-Closure Care Costs	0	0	11,783,170	11,100,385	11,783,170	11,100,385
Total Long Term Obligations	\$ 95,588,511	\$ 97,327,817	\$ 88,602,680	\$ 89,152,682	\$ 184,191,191	\$ 186,480,499

The City of Alcoa's debt payable decreased by a net of \$9,479,584 during the current fiscal year. In 2020 the City refunded \$28.3 million in general obligation bonds which will result in \$7.5 million in savings over the life of the debt. No new funds were received. Principal pay downs were \$6,627,015 on bonds and \$412,241 on capital leases. Liabilities for closure/post-closure increased \$682,785 based on state formula guidelines and compensated absences increased \$150,763 based on benefit formulas.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements (see Note 7 – Debt and Long-Term Liabilities).

Economic Factors and Next Year's Budget Highlights

The primary revenues of the City of Alcoa's governmental activities stem from various taxes on consumption and wealth along with charges for goods or services for business-type activities. Consumption taxes include hotel/motel, various related alcohol, general business, and most importantly, the general sales tax. Taxes on wealth primarily include the ad valorem property tax along with various related in-lieu-of taxes. Sales tax revenues have increased by an adjusted¹ rate of 39% since FY 2009 which was the first year of the great recession. Over that same period, growth in existing property values along with net new construction and a recent property tax rate increase have led to an increase in property tax collected of 50%. Although new commercial construction continues at a steady pace, much of the construction activity over the past several years has focused on both single family residential and apartment development.

¹ Voters approved an increase in the local sales tax rate from 2.25% to 2.75% in 2012.

Growth trends for sales and property taxes are generally very good indicators in forecasting sales revenues for proprietary funds. More residential and commercial development should equate to an increase in water, sewer, and electric sales. However, both electric and water sales growth projections have been tempered by a continuing trend of reduced consumption per customer. This is a result of both conservation efforts and vast improvements in the efficiency of residential and commercial fixtures, appliances, and equipment. The impact of this has affected the water and sewer utilities more so than electric due to their smaller size in terms of customers and overall revenue. The major investment in capital assets required by water production, distribution, and wastewater treatment coupled with mandated staffing levels of licensed personnel to operate the facilities create a heavy burden of fixed costs. In other words, these fixed costs must be covered by water and sewer sales regardless of the volumes sold. The City of Alcoa continuously monitors its water and sewer operations to ensure that rates and resulting revenues are sufficient to adequately provide for system operations yet remain at competitive levels with neighboring utilities.

The factors influencing the overall health of the community include population, employment, job creation, housing, retail growth, and private capital investment are discussed below.

The City of Alcoa's population has grown steadily over the past three decennial censuses from 6,400 in 1990 to 8,449 in 2010. The estimated population for 2020 is 10,656 which represents an annual growth rate of 2.6%. This correlates with the growth in single-family and multifamily residential development mentioned above. Although population growth generally translates into additional property and sales taxes, there is also a cost to provide services to those new populations. When the existing capacity of service, from garbage collection service to having enough classrooms is reached, the cost of added capacity can have a significant impact on the City's budget. So far, the City's growth has not reached the threshold requiring significant expansion of general governmental services; however, classroom capacity has been reached at the Alcoa Intermediate School. Planning is underway to construct a major renovation and an addition that will include classrooms, administrative space, and a new cafeteria.

With respect to consumption taxes, Alcoa's population growth or decline has historically played a relatively insignificant role in the growth or decline those taxes. Alcoa is a commercial center that surrounds the Knoxville Metropolitan Airport and borders the City of Knoxville and Knox County, thereby making it a convenient destination for customers from all over the metropolitan area.

However, a recent change in the distribution of tax collected by the State from out of state retailers in October 2019 has had an impact on Alcoa's sales tax revenue. Before the change, local sales tax collected from primarily internet retailers was distributed to individual cities and counties based on their respective ratio of locally generated sales tax to the state-wide total locally generated sales tax.

Under this distribution method, Alcoa's share of internet sales tax revenues had grown significantly as state-wide internet purchases grew. For example, in December 2017, locally generated gross sales tax was \$1,680,722 and based on those sales, Alcoa was allocated an additional \$331,365 in out of state sales tax. The change implemented in October 2019 by the Tennessee Department of Revenue required all out of state retailers conducting more than \$500 million in annual sales within the state to begin reporting sales tax on a situs basis. The State would then distribute the actual sales tax collected to the city or county having direct jurisdiction over the physical address of the purchaser. Compliance with this new ruling by major internet retailers occurred rapidly but has continued to be a gradual process for new or smaller retailers. By December 2019, Alcoa's allocated internet sales tax had dropped to \$113,980 and had further declined to a mere \$46,843 in June 2020. The City projected a fairly rapid decline in the allocation of out of state sales tax and the resulting revenue estimate was reflected in the FY2020 budget. As FY2020 progressed, actual monthly gross sales tax was better than expected with a cumulative total as of February being 3% above the estimate. However, the effects of the COVID-19 pandemic became apparent beginning in mid-March and by year end those gains had been erased with resulting final sales numbers being .75% under budget.

Despite the out of state sales tax issue, Alcoa's economic success depends a great deal upon the economic wellbeing of the region as a whole. For most households, economic wellbeing is a direct result of a well-paying job. Providing high quality jobs has been a long-standing focus of the City's administration. Alcoa along with the City of Maryville and Blount County fund a joint Economic Development Board (EDB) for which the County has seen tremendous success in creating new jobs through both attracting new business and facilitating the expansion of existing employers. For example, Denso Manufacturing has just completed their fourth major expansion consisting of \$1 billion in capital investment and 1,000 new jobs. The Board is also working with another major existing manufacturer for a \$100 million expansion which will create 200 new jobs.

The growth in appraised value has predominantly been the result of residential construction. Over the past six years, the City has averaged around 35 new single-family homes each year which is consistent with pre-recession figures. These new housing units have been primarily located in the City's premier subdivisions and would be considered in the upper echelon in terms of value based on regional standards. This growth is expected to taper off in the coming years, as the inventory of available lots for single-family construction is being depleted and available land for future development is limited. Additionally, a 269-unit non-subsidized apartment complex was opened in 2016. Due to its success, the development expanded with an additional 92 units which opened in 2018. In the same general vicinity, a separate 169-unit apartment complex was completed in late 2018. A new mixed-use development containing 192 units received Planning Commission approval and site grading is currently underway.

However, the positive growth in appraised values resulting from new construction has somewhat been offset by the on-going demolition of the former South Plant. The South Plant was the original aluminum smelting facility built in the early 1900's encompassing 300 acres. The plant ceased operation permanently in January 2010 and demolition began on the massive buildings roughly three years ago. Fortunately, major capital additions at Alcoa Inc. North Plant related to modernizing and converting production capacity for the growing automotive aluminum market have largely offset the loss of the South Plant. Despite positive growth trends in population, jobs, sales and property tax experienced over the past several years, the City recognizes there is more that can be accomplished to aid in creating an increased level of economic stability for the future. With that in mind, the City has stepped in to serve as the catalyst for starting a major re-development project located at the geographical core of the City.

The project involves converting a 300-acre former factory site into a mixed-use urban development. The site had been home to Alcoa Inc.'s West Plant fabricating mill from its construction in 1921 until it ceased operations in 1988. Demolition of all the structures occurred shortly thereafter and discussions as to the property's reuse continued until 2008 when Alcoa Inc. began a search for qualified firms with the experience and capacity to successfully complete a redevelopment project of this size. In 2009, Alcoa Inc. (now Arconic) entered a re-development agreement with Airport Center Development Partners (ACDP) with the primary partner being ReSight of Littleton, CO to create a mixed-use, urban development. Aside from completing an initial master plan, the great recession halted any further activity on the project.

In 2011 the City and developers began engineering design of the main artery through the site; however, the post-recession private capital markets rendered it virtually impossible for the developers to obtain the financing needed for construction. By the spring of 2016 it was clear that the project would linger for many years unless the City took a larger role in investing in the initial infrastructure necessary to make the site assessable for development. As a result, in December 2016 the City agreed to invest approximately \$11 million in infrastructure in exchange for a secured interest in the property and a portion of the proceeds from future property sales. Construction on a 6,000-foot boulevard including utilities began in April 2017 and was completed in August 2018. Additionally, in 2018, a revised master plan was completed, and the development was named Springbrook Farm based on its location adjacent to the historic Springbrook neighborhood. The new master plan provides for over 700,000 square feet of retail and office space, 500 hotel rooms, and over 1,300 residential units consisting of a mix of single-family lots, townhomes, apartments, and senior living facilities.

Funding for this project came from the issuance of \$9.9 million in general obligation bonds coupled with \$2.6 million previously committed in a capital projects fund, with an additional approximate \$5 million allocated for roadway renovations in FY18. The City realizes that build out of the project may extend over 20 or more years but expects to recoup its initial investment within 7 to 10 years based on a portion of property sales and the ensuing growth in property and sales taxes. Currently, construction is nearing completion on a national brand hotel and site grading is underway for a new supermarket and a 300-unit upscale apartment complex. Construction of a major restaurant is expected to begin within the next few months.

A development agreement for the construction of a large regional distribution center for a major company is in the final stages. This agreement will result in a 650,000 square foot facility providing up to 1,000 new employment opportunities in Blount County. The development agreement is expected to be finalized before the end of November 2020.

These factors were considered in preparing the City of Alcoa's budget for the 2020 fiscal year. The City has invested a great deal of capital in preparing for future economic development which will provide a return on investment from growth in sales and property taxes. However, this new growth and resulting revenue will not be immediate and it will take time before the City recognizes a return on this investment. In the interim, the City will continue to provide the same quality services to its citizens while at the same time operating under the constraints of the revenue and other funding sources available. In an effort to proactively address technology concerns, retirement succession planning, prepare for funding the intermediate school addition while maintaining and providing excellent city services, the Commission raised the property tax rate from \$1.96 per \$100 assessed value to \$2.27 for FY20. Therefore, no budgeted use of fund balance was required.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional information, contact:

City of Alcoa, Tennessee
Finance and Administration Department
Accounting Division
223 Associates Boulevard
Alcoa, TN 37701
(865) 380-4700

BASIC FINANCIAL STATEMENTS

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 23,321,317	\$ 32,156,154	\$ 55,477,471
Receivables			
Taxes, Net	14,364,073	0	14,364,073
Accounts, Net	402,924	5,982,064	6,384,988
Accrued Interest	0	46,918	46,918
Internal Balances	9,996	(9,996)	0
Due from Other Governments	2,444,207	0	2,444,207
Inventories	0	2,542,797	2,542,797
Prepaid Items/ Clearing Accounts/ Other Assets	10,381	3,408,911	3,419,292
Energy Service Loans Receivable	0	594,822	594,822
Other Receivables	0	165,912	165,912
Net Pension Asset	3,030,648	0	3,030,648
TCRS Stabilization Trust	43,922	0	43,922
Regulatory Asset - Debt Issuance Costs	0	290,252	290,252
Capital Assets			
Nondepreciable	7,210,699	6,252,467	13,463,166
Depreciable, Net of Accumulated Depreciation	88,552,035	111,568,110	200,120,145
Total Capital Assets, Net of Depreciation	<u>95,762,734</u>	<u>117,820,577</u>	<u>213,583,311</u>
Total Assets	<u>139,390,202</u>	<u>162,998,411</u>	<u>302,388,613</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Bond Refunding Costs	69,082	445,200	514,282
Deferred Pension Outflows	4,851,393	2,931,266	7,782,659
Deferred Other-Postemployment Benefits Outflows	1,370,465	404,785	1,775,250
Accumulated Change in Fair Value of Interest Rate Swaps	206,565	7,602,232	7,808,797
Total Deferred Outflows of Resources	<u>6,497,505</u>	<u>11,383,483</u>	<u>17,880,988</u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION (Continued)
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	2,065,558	8,878,579	10,944,137
Accrued Payroll	372,769	406,563	779,332
Other Liabilities	686,382	518,663	1,205,045
Customer Deposits	0	2,561,670	2,561,670
Advances from TVA for Energy Service Loans	0	619,027	619,027
Long-Term Liabilities			
Due Within One Year	5,271,321	4,091,762	9,363,083
Due in More Than One Year			
Long-Term Debt	69,864,753	56,293,027	126,157,780
Capital Lease Obligations	6,500,000	0	6,500,000
Interest Rate Swap Liability	206,565	7,602,232	7,808,797
Landfill Closure/Post Closure Costs	0	11,783,170	11,783,170
Net Pension Liability	6,206,919	5,857,965	12,064,884
Other Post-Employment Benefit Liability	7,538,953	2,974,524	10,513,477
Total Liabilities	98,713,220	101,587,182	200,300,402
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	13,472,910	0	13,472,910
Deferred Pension Inflows	3,045,973	678,534	3,724,507
Deferred Other-Postemployment Benefits Inflows	1,708,639	161,078	1,869,717
Deferred Bond Refunding Costs	0	33,333	33,333
Total Deferred Inflows of Resources	18,227,522	872,945	19,100,467
NET POSITION			
Net Investment in Capital Assets	24,517,065	58,479,351	82,996,416
Restricted for			
Special Revenue			
State Street Aid	622,461	0	622,461
Drug Enforcement	67,035	0	67,035
Education	43,922	0	43,922
Vehicle Enforcement	6,156	0	6,156
Capital Projects	7,558,161	0	7,558,161
Pensions	3,030,648	0	3,030,648
Unrestricted Position (Deficit)	(6,898,483)	13,442,416	6,543,933
Total Net Position	\$ 28,946,965	\$ 71,921,767	\$ 100,868,732

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue 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	\$ 10,102,269	\$ 8,352,607	\$ 265,671	\$ 5,600	\$ (1,478,391)	\$ 0	\$ (1,478,391)
Public Safety	10,163,133	441,619	246,958	0	(9,474,556)	0	(9,474,556)
Public Works	6,303,387	471,084	2,376,621	132,000	(3,323,682)	0	(3,323,682)
Economic Development	2,353,303	0	0	0	(2,353,303)	0	(2,353,303)
Education	26,115,353	1,576,488	11,093,413	0	(13,445,452)	0	(13,445,452)
Debt Service:							
Interest on Long-Term Debt	2,262,253	0	0	0	(2,262,253)	0	(2,262,253)
Total Governmental Activities	57,299,698	10,841,798	13,982,663	137,600	(32,337,637)	0	(32,337,637)
Business-Type Activities							
Stormwater Utility	1,189,745	1,333,586	90	73,900	0	217,831	217,831
Water and Sewer Utility	13,198,361	15,884,784	1,170	714,077	0	3,401,670	3,401,670
Electric	65,026,188	67,345,702	0	0	0	2,319,514	2,319,514
Landfill	4,106,392	5,366,894	0	0	0	1,260,502	1,260,502
Total Business-Type Activities	83,520,686	89,930,966	1,260	787,977	0	7,199,517	7,199,517
Total Government	\$ 140,820,384	\$ 100,772,764	\$ 13,983,923	\$ 925,577	(32,337,637)	7,199,517	(25,138,120)
General Revenues:							
Sales Tax and Other State Taxes					15,781,259	0	15,781,259
State Income Taxes and Excise Taxes					128,518	0	128,518
Property Taxes					17,853,420	0	17,853,420
Business Taxes					1,023,424	0	1,023,424
Miscellaneous Taxes					617,090	0	617,090
In-Lieu-of Taxes					1,196,851	0	1,196,851
Interest Income					287,206	131,527	418,733
Transfers - In-Lieu-of-tax payments					2,042,775	(2,042,775)	0
Transfers - Contributions of Capital Assets					(282,878)	282,878	0
Total General Revenues and Transfers					38,647,665	(1,628,370)	37,019,295
Change in Net Position					6,310,028	5,571,147	11,881,175
Net Position - Beginning, As Previously Reported					22,441,915	66,350,620	88,792,535
Restatement - See Note 18					195,022	0	195,022
Adjusted Net Position - Beginning					22,636,937	66,350,620	88,987,557
Net Position - Ending					\$ 28,946,965	\$ 71,921,767	\$ 100,868,732

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

CITY OF ALCOA, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Education	Debt Service	Non-Major Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 7,212,755	\$ 1,346,947	\$ 1,648,124	\$ 9,382,431	\$ 19,590,257
Receivables:					
Sales Taxes	0	56,537	0	0	56,537
Property Taxes	13,959,215	678,918	0	0	14,638,133
Less: Allowance for Uncollectible Taxes	(440,750)	0	0	0	(440,750)
Accounts	118,605	45,605	0	348,868	513,078
Prepaid Expenditures	0	10,381	0	0	10,381
TCRS Stabilization Trust	0	43,922	0	0	43,922
Due from Other Governments	2,251,414	0	0	192,793	2,444,207
Due from Other Funds	10,010	0	0	0	10,010
Total Assets	\$ 23,111,249	\$ 2,182,310	\$ 1,648,124	\$ 9,924,092	\$ 36,865,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 308,844	\$ 264,931	\$ 0	\$ 745,483	\$ 1,319,258
Due to Other Funds	14	0	0	0	14
Accrued Expenses	572,190	0	0	0	572,190
Due to State of Tennessee	0	678,699	0	0	678,699
Unearned Revenue	3,095	0	0	0	3,095
Other Liabilities	0	0	0	4,587	4,587
Total Liabilities	884,143	943,630	0	750,070	2,577,843
Deferred Inflow of Resources					
Deferred Revenue - Property Taxes	13,472,910	0	0	0	13,472,910
Total Deferred Inflow of Resources	13,472,910	0	0	0	13,472,910
Fund Balances					
Nonspendable	0	10,381	0	0	10,381
Restricted	0	43,922	0	8,254,933	8,298,855
Committed	500,000	1,184,377	1,648,124	525,141	3,857,642
Assigned	0	0	0	397,498	397,498
Unassigned	8,254,196	0	0	(3,550)	8,250,646
Total Fund Balances	8,754,196	1,238,680	1,648,124	9,174,022	20,815,022
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,111,249	\$ 2,182,310	\$ 1,648,124	\$ 9,924,092	\$ 36,865,775

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

CITY OF ALCOA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Ending Fund Balance - Governmental Funds	\$	20,815,022	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Capital Assets	\$	162,372,426	
Less: Accumulated Depreciation		<u>(66,609,692)</u>	95,762,734
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Long-Term Debt		(70,680,000)	
Unamortized Bond Premium		(3,109,118)	
Capital Lease Obligations		(6,892,544)	
Compensated Absences		<u>(754,992)</u>	(81,436,654)
Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use of equipment) to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.			
			2,984,759
Net pension assets and liabilities of the City's pension plans are not current financial resources and therefore are not reported in the governmental funds.			
			(3,176,271)
Other post-employment benefits liabilities are not current financial resources and therefore are not reported in the governmental funds.			
			(7,538,953)
Interest rate swap liabilities are not current financial resources and therefore are not reported in the governmental funds.			
			(206,565)
Amounts reported as deferred outflows of unamortized amounts on refundings, deferred outflows related to other post-employment benefits, and deferred outflows related to pensions increase the amount of net position reported in the statement of net position, but are not reported as assets in the funds. Similarly, deferred inflows related to pensions and other postemployment benefits decrease the amount of net position reported in the statement of net position, but are not reported as liabilities in the funds.			
Deferred Outflows of Resources Related to Deferred Bond Refunding Costs		69,082	
Deferred Outflows of Resources Related to Pensions		4,851,393	
Deferred Outflows of Resources Related to Other Post-employment Benefits		1,370,465	
Accumulated Change in Fair Value of Interest Rate Swaps		206,565	
Deferred Inflows of Resources Related to Pensions		(3,045,973)	
Deferred Inflows of Resources Related to Other Post-employment Benefits		<u>(1,708,639)</u>	<u>1,742,893</u>
Net Position of Governmental Activities	\$		<u><u>28,946,965</u></u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	General Fund	Education Fund	Debt Service Fund	Non-Major Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property Taxes	\$ 9,406,154	\$ 8,447,266	\$ 0	\$ 0	\$ 17,853,420
Local Option Sales Taxes	10,421,624	3,325,928	0	0	13,747,552
Other Taxes	3,218,173	38,335	0	300,266	3,556,774
Licenses, Permits and Fees	133,231	358,210	0	0	491,441
Intergovernmental:					
Unrestricted					
State Taxes	1,340,540	102,276	0	0	1,442,816
Restricted:					
Federal Grants	148,782	799,599	0	3,186,838	4,135,219
State Grants	23,273	0	0	0	23,273
U.S.D.A Revenues	0	0	0	513,828	513,828
Other State Revenues	58,400	9,420,201	0	870,085	10,348,686
Other Local Revenues	131,045	63,939	0	0	194,984
Charges for Services	741,833	0	0	841,931	1,583,764
Fines, Forfeitures and Costs	318,630	0	0	12,612	331,242
Property Rental	143,794	0	0	0	143,794
Interest Income	55,566	4,117	200,594	19,914	280,191
Miscellaneous Income	345,231	0	0	20,395	365,626
Total Revenues	<u>26,486,276</u>	<u>22,559,871</u>	<u>200,594</u>	<u>5,765,869</u>	<u>55,012,610</u>
Expenditures:					
Current:					
General Government	2,719,864	0	0	0	2,719,864
Public Safety	9,911,410	0	0	17,918	9,929,328
Public Works	4,813,377	0	0	590,003	5,403,380
Economic Development	2,353,303	0	0	0	2,353,303
Education	0	22,451,763	0	2,042,459	24,494,222
Capital Outlay/Capital Assets	0	0	0	5,131,617	5,131,617
Debt Service:					
Principal Retirement	0	0	3,270,000	0	3,270,000
Interest and Fiscal Fees	0	0	2,467,217	0	2,467,217
Total Expenditures	<u>19,797,954</u>	<u>22,451,763</u>	<u>5,737,217</u>	<u>7,781,997</u>	<u>55,768,931</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>6,688,322</u>	<u>108,108</u>	<u>(5,536,623)</u>	<u>(2,016,128)</u>	<u>(756,321)</u>
Other Financing Sources (Uses):					
Transfers to Other Funds	(6,495,000)	(20,839)	0	(650,000)	(7,165,839)
Transfer from Other Funds	0	170,000	5,800,000	1,195,839	7,165,839
Transfer from Business-Type Activities In-Lieu of Tax	2,042,775	0	0	0	2,042,775
Refunding Bond Issues	0	0	25,925,000	0	25,925,000
Premium on Refunding Bonds	0	0	3,109,118	0	3,109,118
Bond Issuance Costs	0	0	(440,036)	0	(440,036)
Payoff to Refunded Bond Escrow Agent	0	0	(28,594,082)	0	(28,594,082)
Total Other Financing Sources (Uses)	<u>(4,452,225)</u>	<u>149,161</u>	<u>5,800,000</u>	<u>545,839</u>	<u>2,042,775</u>
Net Change in Fund Balances	2,236,097	257,269	263,377	(1,470,289)	1,286,454
Fund Balances, July 1st	<u>6,518,099</u>	<u>981,411</u>	<u>1,384,747</u>	<u>10,644,311</u>	<u>19,528,568</u>
Fund Balances, June 30th	<u>\$ 8,754,196</u>	<u>\$ 1,238,680</u>	<u>\$ 1,648,124</u>	<u>\$ 9,174,022</u>	<u>\$ 20,815,022</u>

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

CITY OF ALCOA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Net Change in Fund Balances – Total Governmental Funds	\$	1,286,454
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Governmental funds report capital outlays as expenditures. However, in the statement of activities

Capital Assets Purchased	\$ 4,384,002	
Depreciation Expense	(4,282,443)	
Net Change in Capital Assets		101,559

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Add: Principal Payments on Debt	3,625,000	
Add: Debt Refunding	28,525,000	
Add: Payment of Capital Leases	412,241	
Less: Debt Proceeds	(29,034,118)	3,528,123

Internal service funds are used by management to charge certain costs (e.g., certain employee benefits, insurance, maintenance, and use or equipment) to individual funds. The net revenue (expense) amounts of the internal service funds are reported with governmental activities.		831,158
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Certain assets, liabilities, deferred inflows, and deferred outflows accounted for using the economic resources focus and the accrual basis of accounting are reported in the Statement of Net Position but are not reported in the fund financial statements, which include only items that are accounted for using current financial resources measurement and modified accrual basis of accounting. These amounts do not provide or require the use of current financial resources and, therefore, are not reflected in the revenues and expenditures of governmental funds.

Change in Assets and Deferred Outflows of Resources		
Net Pension Asset	2,019,462	
Deferred Bond Refunding Costs	69,082	
Deferred Pension Outflows	(322,456)	
Deferred Other-Postemployment Benefits Outflows	908,486	
Accumulated Change in Fair Value of Interest Rate Swaps	(109,622)	2,564,952

Change in Liabilities and Deferred Inflows of Resources		
Interest Rate Swap Liability	109,622	
Net Pension Liability	476,754	
Other Post-Employment Benefit Liability	(1,091,838)	
Compensated Absences	108,776	
Deferred Pension Inflows	(1,305,381)	
Deferred Other Post-Employment Benefits Inflows	(300,151)	(2,002,218)

Change in Net Position of Governmental Activities	\$	<u><u>6,310,028</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property Taxes	\$ 9,122,420	\$ 9,122,420	\$ 9,406,154	\$ 283,734
Local Option Sales Taxes	10,500,000	10,500,000	10,421,624	(78,376)
Other Taxes	2,972,825	2,972,825	3,218,173	245,348
Licenses and Permits	134,500	134,500	133,231	(1,269)
Fines and Forfeits	438,000	438,000	318,630	(119,370)
Intergovernmental:				
Unrestricted:				
State Taxes	1,337,925	1,337,925	1,340,540	2,615
Restricted:				
Federal Grants	171,400	171,400	148,782	(22,618)
State Grants	16,000	16,000	23,273	7,273
Other State Revenues	45,000	45,000	58,400	13,400
Other Local Revenues	120,000	120,000	131,045	11,045
Interest Income	35,000	35,000	55,566	20,566
Public Works, Labor, and Material	492,500	492,500	456,961	(35,539)
Miscellaneous	130,000	130,000	124,481	(5,519)
Property Rental	152,450	152,450	143,794	(8,656)
Department Services	180,000	180,000	250,605	70,605
Fees Development	27,000	27,000	34,267	7,267
Insurance Refunds	20,000	20,000	5,050	(14,950)
Sale of Property/Equipment	25,000	25,000	17,965	(7,035)
Private Grants	18,500	18,500	55,175	36,675
TML Grants	0	0	7,235	7,235
Contributions and Donations - Business	110,400	110,400	135,325	24,925
Total Revenues	<u>26,048,920</u>	<u>26,048,920</u>	<u>26,486,276</u>	<u>437,356</u>
Expenses:				
General Government	2,889,795	2,889,795	2,719,864	169,931
Public Works	5,184,130	5,184,130	4,813,377	370,753
Public Safety	10,277,810	10,277,810	9,911,410	366,400
Economic Development	2,502,865	2,502,865	2,353,303	149,562
Total Expenditures	<u>20,854,600</u>	<u>20,854,600</u>	<u>19,797,954</u>	<u>1,056,646</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>5,194,320</u>	<u>5,194,320</u>	<u>6,688,322</u>	<u>1,494,002</u>
Other Financing Sources (Uses)				
Operating Transfers In (Out):				
Payments in Lieu of Taxes - Business-Type Activities	1,618,300	1,618,300	2,042,775	424,475
Debt Service Fund	(5,800,000)	(5,800,000)	(5,800,000)	0
Education Fund	(170,000)	(170,000)	(170,000)	0
Capital Projects	(525,000)	(525,000)	(525,000)	0
Total Other Financing Sources (Uses)	<u>(4,876,700)</u>	<u>(4,876,700)</u>	<u>(4,452,225)</u>	<u>424,475</u>
Net Change in Fund Balance	317,620	317,620	2,236,097	1,918,477
Fund Balance, July 1st	<u>6,518,099</u>	<u>6,518,099</u>	<u>6,518,099</u>	<u>0</u>
Fund Balance, June 30th	<u>\$ 6,835,719</u>	<u>\$ 6,835,719</u>	<u>\$ 8,754,196</u>	<u>\$ 1,918,477</u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
EDUCATION FUND - SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2020

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property Taxes	\$ 8,438,000	\$ 8,438,000	\$ 8,447,266	\$ 9,266
Local Option Sales Taxes	3,339,000	3,339,000	3,325,928	(13,072)
Other Taxes	36,000	36,000	38,335	2,335
Licenses, Permits and Fees	386,900	386,900	358,210	(28,690)
Intergovernmental:				
Unrestricted:				
State Taxes	91,000	91,000	102,276	11,276
Restricted:				
Federal Grants	685,000	685,000	799,599	114,599
Other State Revenues	9,366,700	9,366,700	9,420,201	53,501
Other Local Revenues	52,400	52,400	63,939	11,539
Interest Income	0	0	4,117	4,117
Total Revenues	<u>22,395,000</u>	<u>22,395,000</u>	<u>22,559,871</u>	<u>164,871</u>
Expenditures				
Instruction Elementary/Secondary	11,735,979	11,735,979	11,723,118	12,861
Special Education Program	1,636,829	1,636,829	1,589,863	46,966
Vocational Education	449,699	449,699	470,245	(20,546)
Health Services	295,572	295,572	288,797	6,775
Other Student Support	813,112	813,112	764,280	48,832
Instruction Regular	555,347	555,347	540,204	15,143
Technology	693,114	693,114	618,416	74,698
Board of Education	354,874	354,874	318,928	35,946
Office of the Director	181,779	181,779	199,666	(17,887)
Office of Principals	1,596,572	1,596,572	1,562,876	33,696
Fiscal Services	196,019	196,019	151,392	44,627
Human Services	191,467	191,467	188,567	2,900
Operation of Plant	1,767,604	1,767,604	1,661,212	106,392
Maintenance of Plant	805,060	805,060	871,153	(66,093)
Transportation	371,372	371,372	347,740	23,632
Food Services	665,650	665,650	810,342	(144,692)
Family Resource Center	79,749	79,749	95,742	(15,993)
Lottery Pre-K	255,202	255,202	249,222	5,980
Capital Outlay	20,000	20,000	0	20,000
Total Expenditures	<u>22,665,000</u>	<u>22,665,000</u>	<u>22,451,763</u>	<u>213,237</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>108,108</u>	<u>378,108</u>
Other Financing Sources (Uses)				
Transfer to AIS Construction Fund	0	0	(20,839)	(20,839)
Transfer from General Fund	170,000	170,000	170,000	0
Other Financing Sources (Uses) Total	<u>170,000</u>	<u>170,000</u>	<u>149,161</u>	<u>(20,839)</u>
Net Change in Fund Balance	<u>(100,000)</u>	<u>(100,000)</u>	<u>257,269</u>	<u>357,269</u>
Fund Balance, July 1st	<u>981,411</u>	<u>981,411</u>	<u>981,411</u>	<u>0</u>
Fund Balance, June 30th	<u>\$ 881,411</u>	<u>\$ 881,411</u>	<u>\$ 1,238,680</u>	<u>\$ 357,269</u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Major Funds					
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 1,017,719	\$ 9,964,544	\$ 6,133,508	\$ 3,299,141	\$ 20,414,912	\$ 3,731,060
Accounts Receivable, Net	110,356	1,400,034	4,083,115	388,559	5,982,064	0
Materials and Supplies	0	1,105,385	1,437,412	0	2,542,797	0
Other Current Assets	0	46,918	0	0	46,918	0
Due From Other Funds	0	35,443	0	14	35,457	0
Prepaid TVA Power Invoice Program	0	0	3,408,911	0	3,408,911	0
Total Current Assets	<u>1,128,075</u>	<u>12,552,324</u>	<u>15,062,946</u>	<u>3,687,714</u>	<u>32,431,059</u>	<u>3,731,060</u>
Noncurrent Assets						
Capital Assets						
Land and Easements	0	1,194,236	1,260,996	1,299,149	3,754,381	0
Construction in Progress	0	470,155	1,660,543	367,388	2,498,086	0
Structures, Improvements and Equipment	2,407,489	94,565,052	93,821,979	14,319,458	205,113,978	0
	<u>2,407,489</u>	<u>96,229,443</u>	<u>96,743,518</u>	<u>15,985,995</u>	<u>211,366,445</u>	<u>0</u>
Less: Accumulated Depreciation	(729,049)	(36,338,849)	(44,579,232)	(11,898,738)	(93,545,868)	0
Net Capital Assets	<u>1,678,440</u>	<u>59,890,594</u>	<u>52,164,286</u>	<u>4,087,257</u>	<u>117,820,577</u>	<u>0</u>
Other Noncurrent Assets						
Cash Held for Long-Term Purposes	0	0	0	11,741,242	11,741,242	0
Other Receivables	0	0	165,912	0	165,912	0
Receivables from Customers for Conservation Loans	0	0	594,822	0	594,822	0
Regulatory Asset - Debt Issuance Costs	0	0	290,252	0	290,252	0
Total Other Noncurrent Assets	<u>0</u>	<u>0</u>	<u>1,050,986</u>	<u>11,741,242</u>	<u>12,792,228</u>	<u>0</u>
Total Noncurrent Assets	<u>1,678,440</u>	<u>59,890,594</u>	<u>53,215,272</u>	<u>15,828,499</u>	<u>130,612,805</u>	<u>0</u>
Total Assets	<u>2,806,515</u>	<u>72,442,918</u>	<u>68,278,218</u>	<u>19,516,213</u>	<u>163,043,864</u>	<u>3,731,060</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Pension Outflows	142,841	951,476	1,494,660	342,289	2,931,266	0
Deferred Other Post Employment Benefits Outflows	24,502	93,297	223,460	63,526	404,785	0
Deferred Bond Refunding Costs	0	445,200	0	0	445,200	0
Accumulated Change in Fair Value of Hedging Derivatives	0	7,602,232	0	0	7,602,232	0
Total Deferred Outflows of Resources	<u>167,343</u>	<u>9,092,205</u>	<u>1,718,120</u>	<u>405,815</u>	<u>11,383,483</u>	<u>0</u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Major Funds					
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	
LIABILITIES						
Current Liabilities						
Accounts Payable	16,432	389,833	8,189,968	282,346	8,878,579	38,844
Due to Other Funds	0	0	45,453	0	45,453	0
Medical Claims Payable	0	0	0	0	0	707,457
Customer Deposits	0	0	2,561,670	0	2,561,670	0
Other Accrued Liabilities	22,719	123,392	429,957	45,950	622,018	0
Current Portion of Long-Term Debt	0	1,771,923	985,000	770,000	3,526,923	0
Compensated Absences	35,962	247,904	520,598	93,402	897,866	0
Total Current Liabilities	75,113	2,533,052	12,732,646	1,191,698	16,532,509	746,301
Noncurrent Liabilities						
Long-Term Debt	0	42,885,000	12,300,000	775,000	55,960,000	0
Estimated Liability for Landfill Closure and Postclosure Care Costs	0	0	0	11,783,170	11,783,170	0
Unearned Credits	0	0	303,208	0	303,208	0
Conservation -TVA	0	0	619,027	0	619,027	0
Derivatives - Interest Rate Swap	0	7,602,232	0	0	7,602,232	0
Net Pension Liability	114,222	1,600,346	3,608,823	534,574	5,857,965	0
Other Post-Employment Benefit Liability	180,047	685,585	1,642,079	466,813	2,974,524	0
Total Noncurrent Liabilities	294,269	52,773,163	18,473,137	13,559,557	85,100,126	0
Total Liabilities	369,382	55,306,215	31,205,783	14,751,255	101,632,635	746,301
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Inflows	20,311	270,677	309,382	78,164	678,534	0
Deferred Other Post Employment Benefits Inflows	9,750	37,126	88,923	25,279	161,078	0
Deferred Bond Refunding Costs	0	0	0	33,333	33,333	0
Total Deferred Inflows of Resources	30,061	307,803	398,305	136,776	872,945	0
NET POSITION						
Net Investment in Capital Assets	1,678,440	15,667,221	38,794,341	2,339,350	58,479,352	0
Unrestricted	895,975	10,253,884	(402,091)	2,694,647	13,442,415	2,984,759
Total Net Position	\$ 2,574,415	\$ 25,921,105	\$ 38,392,250	\$ 5,033,997	\$ 71,921,767	\$ 2,984,759

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2020

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Major Funds					
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	
OPERATING REVENUES						
Charges for Services	\$ 1,333,423	\$ 15,381,718	\$ 65,622,663	\$ 5,191,417	\$ 87,529,221	\$ 6,757,605
Rents and Other Services	0	470,138	1,344,889	0	1,815,027	0
Miscellaneous	0	20,444	375,331	0	395,775	0
Total Operating Revenues	<u>1,333,423</u>	<u>15,872,300</u>	<u>67,342,883</u>	<u>5,191,417</u>	<u>89,740,023</u>	<u>6,757,605</u>
OPERATING EXPENSES						
Medical Claims Paid	0	0	0	0	0	3,996,104
Insurance Premiums/Administration	0	0	0	0	0	1,937,357
Purchased Power	0	0	49,544,537	0	49,544,537	0
Administrative and General	441,738	844,736	3,334,561	591,958	5,212,993	0
Accounting and Collections	0	1,134,675	0	0	1,134,675	0
Supervision	0	625,248	0	0	625,248	0
Water Treatment Plant	0	1,573,688	0	0	1,573,688	0
Distribution and Transmission	0	753,234	2,344,587	0	3,097,821	0
Meter Readings and Repairs	0	371,303	0	0	371,303	0
Water Maintenance	0	328,286	0	0	328,286	0
Sewage Collection/Disposal/Pumping	0	2,909,588	0	0	2,909,588	0
Customer Accounts	0	0	2,142,033	0	2,142,033	0
Stormwater Operations	651,351	0	0	0	651,351	0
Landfill Operations	0	0	0	2,075,323	2,075,323	0
Environmental Compliance	0	116,332	0	698,400	814,732	0
Depreciation	96,655	2,820,140	3,145,626	704,775	6,767,196	0
Electric Maintenance	0	0	4,245,499	0	4,245,499	0
Total Operating Expenses	<u>1,189,744</u>	<u>11,477,230</u>	<u>64,756,843</u>	<u>4,070,456</u>	<u>81,494,273</u>	<u>5,933,461</u>
OPERATING INCOME	<u>143,679</u>	<u>4,395,070</u>	<u>2,586,040</u>	<u>1,120,961</u>	<u>8,245,750</u>	<u>824,144</u>
NONOPERATING REVENUES (EXPENSES)						
Other Income (Expense)	254	13,654	2,819	174,475	191,202	0
Debt Issuance	0	(44,049)	0	0	(44,049)	0
Amortization Expense	0	(24,992)	0	0	(24,992)	0
Interest Expense	0	(1,652,090)	(269,346)	(34,935)	(1,956,371)	0
Interest Income	5,800	62,677	39,384	23,666	131,527	7,014
Total Non-Operating Revenues (Expenses)	<u>6,054</u>	<u>(1,644,800)</u>	<u>(227,143)</u>	<u>163,206</u>	<u>(1,702,683)</u>	<u>7,014</u>
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS AND TRANSFERS	<u>149,733</u>	<u>2,750,270</u>	<u>2,358,897</u>	<u>1,284,167</u>	<u>6,543,067</u>	<u>831,158</u>
CONTRIBUTIONS AND TRANSFERS						
Transfers of Capital Assets	282,878	0	0	0	282,878	0
Capital Contributions	73,900	714,077	0	0	787,977	0
Payments in Lieu of Taxes	0	(400,000)	(1,642,775)	0	(2,042,775)	0
Total Contributions and Transfers	<u>356,778</u>	<u>314,077</u>	<u>(1,642,775)</u>	<u>0</u>	<u>(971,920)</u>	<u>0</u>
CHANGE IN NET POSITION	506,511	3,064,347	716,122	1,284,167	5,571,147	831,158
NET POSITION, July 1st	<u>2,067,904</u>	<u>22,856,758</u>	<u>37,676,128</u>	<u>3,749,830</u>	<u>66,350,620</u>	<u>2,153,601</u>
NET POSITION, June 30th	<u>\$ 2,574,415</u>	<u>\$ 25,921,105</u>	<u>\$ 38,392,250</u>	<u>\$ 5,033,997</u>	<u>\$ 71,921,767</u>	<u>\$ 2,984,759</u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Major Funds					
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers/Employees' Insurance	\$ 1,335,150	\$ 15,795,955	\$ 67,945,656	\$ 5,356,899	\$ 90,433,660	\$ 6,785,056
Cash Payments to Suppliers for Goods and Services/ Medical Claims	(364,691)	(4,360,364)	(56,358,723)	(775,457)	(61,859,235)	(5,927,625)
Cash Payments to Employees for Services	(779,945)	(4,422,305)	(5,755,859)	(1,570,036)	(12,528,145)	0
Net Cash Flows Provided By (Used in) Operating Activities	<u>190,514</u>	<u>7,013,286</u>	<u>5,831,074</u>	<u>3,011,406</u>	<u>16,046,280</u>	<u>857,431</u>
CASH FLOWS FROM NONCAPITAL FINANCING NONCAPITAL FINANCING ACTIVITIES						
Transfers Out - In Lieu of Taxes	0	(400,000)	(1,642,775)	0	(2,042,775)	0
Net Cash Provided By (Used In) Non Capital Non Capital Financing Activities	<u>0</u>	<u>(400,000)</u>	<u>(1,642,775)</u>	<u>0</u>	<u>(2,042,775)</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances from TVA	0	0	(273,381)	0	(273,381)	0
Acquisition of Conservation Loans	0	0	246,257	0	246,257	0
Proceeds from Sale of Capital Assets	0	7,100	0	0	7,100	0
Acquisition of Capital Assets	(6,660)	(1,298,579)	(3,547,176)	(484,637)	(5,337,052)	0
Utility Plant Removal Costs	0	0	230,820	0	230,820	0
Principal Paid on Long-Term Debt	0	(1,288,854)	(930,000)	(783,161)	(3,002,015)	0
Interest Paid on Long-Term Debt	0	(1,419,691)	(232,341)	(51,602)	(1,703,634)	0
Additional Long-Term Bond/Capital Outlay Notes/ Revolving Loans	0	2,549,153	0	0	2,549,153	0
Proceeds from Debt Refundings	0	(2,811,547)	0	0	(2,811,547)	0
Bond Issuance Costs, Net	0	(44,049)	0	0	(44,049)	0
Net Cash Flows Provided By (Used In) Capital and Related Financing Activities	<u>(6,660)</u>	<u>(4,306,467)</u>	<u>(4,505,821)</u>	<u>(1,319,400)</u>	<u>(10,138,348)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends on Investments	5,800	62,677	39,384	23,666	131,527	7,014
Net Cash Flows Provided By (Used In) Investing Activities	<u>5,800</u>	<u>62,677</u>	<u>39,384</u>	<u>23,666</u>	<u>131,527</u>	<u>7,014</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	189,654	2,369,496	(278,138)	1,715,672	3,996,684	864,445
CASH & CASH EQUIVALENTS - July 1st	<u>828,065</u>	<u>7,595,048</u>	<u>6,411,646</u>	<u>13,324,711</u>	<u>28,159,470</u>	<u>2,866,615</u>
CASH & CASH EQUIVALENTS - June 30th	<u>\$ 1,017,719</u>	<u>\$ 9,964,544</u>	<u>\$ 6,133,508</u>	<u>\$ 15,040,383</u>	<u>\$ 32,156,154</u>	<u>\$ 3,731,060</u>

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

CITY OF ALCOA, TENNESSEE
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Business-Type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Major Funds					
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	
RECONCILIATION OF OPERATING INCOME (LOSS)						
TO NET CASH FLOWS PROVIDED BY (USED IN)						
OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 143,679	\$ 4,395,070	\$ 2,586,040	\$ 1,120,961	\$ 8,245,750	\$ 824,144
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:						
Depreciation	96,655	2,820,140	3,395,575	704,775	7,017,145	0
Changes in Assets and Liabilities						
Accounts Receivable	1,727	(88,534)	725,204	138,769	777,166	0
Due from Other Funds	0	30,874	0	(14)	30,860	0
Other Current Assets	0	(18,685)	0	26,727	8,042	0
Other Receivables	0	0	(165,912)	0	(165,912)	0
Prepaid Expenses	0	0	684,476	0	684,476	27,451
Materials and Supplies	0	(990)	(43,258)	0	(44,248)	0
Deferred Outflows - Pension Expense	10,772	(54,039)	89,850	1,839	48,422	0
Deferred Outflows - OPEB	(24,502)	(93,297)	(223,460)	(63,526)	(404,785)	0
Accounts Payable	2,014	(9,034)	(1,540,998)	179,602	(1,368,416)	(15,308)
Other Accrued Liabilities	3,175	10,159	168,710	7,886	189,930	21,144
Due to Other Funds	0	0	(20,864)	0	(20,864)	0
Net Pension Liability	(15,417)	(152,672)	(259,514)	(52,402)	(480,005)	0
OPEB Liability	(28,515)	38,704	234,070	34,063	278,322	0
Deferred Inflows - Pension Expense	(4,196)	108,510	(7,326)	21,844	118,832	0
Deferred Inflows - OPEB	9,750	37,126	88,923	25,279	161,078	0
Customer Deposits	0	0	43,481	0	43,481	0
Other Revenue (Expense)	254	6,554	2,819	174,475	184,102	0
Closure and Postclosure Care Costs	0	0	0	682,785	682,785	0
Compensated Absences	(4,882)	(16,600)	73,258	8,343	60,119	0
NET CASH FLOWS PROVIDED BY						
OPERATING ACTIVITIES	<u>\$ 190,514</u>	<u>\$ 7,013,286</u>	<u>\$ 5,831,074</u>	<u>\$ 3,011,406</u>	<u>\$ 16,046,280</u>	<u>\$ 857,431</u>
SUPPLEMENTARY SCHEDULE OF NONCASH CAPITAL						
AND RELATED FINANCING ACTIVITIES:						
Capital Asset Contributions	\$ 73,900	\$ 714,077	\$ 0	\$ 0	\$ 787,977	\$ 0
Transfer of Capital Asset	282,878	0	0	0	282,878	0
Gain/(Loss) on Disposal of Capital Assets	0	7,100	0	0	7,100	0
Amortization of Deferred Amount on Refunding	0	(21,200)	(26,387)	0	(47,587)	0
Amortization of Bond Premium	0	(3,792)	0	0	(3,792)	0
Deferred Credits/Regulatory Charges	0	(232,399)	(10,618)	16,667	(226,359)	0

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

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM FUND - FIDUCIARY FUND
STATEMENT OF FIDUCIARY ASSETS, LIABILITIES AND NET POSITION
June 30, 2020

ASSETS	
Investments in Tennessee Retirement Group Trust	\$ 25,986,983
LIABILITIES	<u>0</u>
NET POSITION	
Restricted for Pension Benefits	<u>25,986,983</u>
TOTAL NET POSITION	<u><u>\$ 25,986,983</u></u>

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

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM FUND - FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY PLAN NET POSITION
For the Fiscal Year Ended June 30, 2020

Additions	
Employer Contributions	\$ 1,512,265
Interest/Dividend Income	<u>1,293,042</u>
Total Additions	<u>2,805,307</u>
Deductions	
Administrative Expenses	68,581
Benefit Payments	<u>3,026,576</u>
Total Deductions	<u>3,095,157</u>
Change in Net Position	(289,850)
Net Position Restricted for Pension Benefits - Beginning of Year	<u>26,276,833</u>
Net Position Restricted for Pension Benefits - End of Year	<u>\$ 25,986,983</u>

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

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

The City of Alcoa, Tennessee (the "City") was incorporated July 1, 1919, under the provisions of Act 116, P.A. 1919, as amended. The City operates under a City Manager - Commission form of government governed by an elected five-member Board of Commissioners. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities, education, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) followed in the United States of America. The Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City.

Governmental Accounting Standards Board (GASB) *Statement No. 14 - "The Financial Reporting Entity"* as amended by GASB *Statement No. 39 "Determining Whether Certain Organizations are Component Units"* defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of a component unit's Board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The City is a primary government including Alcoa City Schools (the School System) and has no component units.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The government-wide statement of activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The fund financial statements emphasis is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

(C) BASIS OF PRESENTATION

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities. The following fund categories are used by the City:

Governmental Fund Types

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. Governmental funds are accounted for using the modified accrual basis of accounting. Governmental Funds include the following fund types:

General Fund: The General Fund is established to account for resources devoted to financing the general services that City performs for its citizens. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required or elected to be accounted for in another fund. The General Fund is always considered a major fund in the basic financial statements.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditures for specified purposes. There is one special revenue fund presented as a major fund in the basic financial statements as follows:

Education Fund: The Education Fund is used to account for the general operations of the Alcoa City Schools. Major funding for the Education Fund is provided by State education funds, shared revenues provided by Blount County, and transfers from the City's General Fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is presented as a major fund in the basic financial statements.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital facilities and/or related improvements, other than those financed by proprietary funds operations. No Capital Projects Funds are presented as major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) BASIS OF PRESENTATION (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds include the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following enterprise funds are used by the City:

Stormwater Utility Fund: The Stormwater Utility Fund is used to account for the operations of the City's stormwater utility system. This fund is presented as a major fund in the basic financial statements.

Water and Sewer Utility Fund: The Water and Sewer Utility Fund is used to account for the operation of the City's water and sewer system. This fund is presented as a major fund in the basic financial statements.

Electric Utility Fund: The Electric Utility Fund is used to account for the operation of the City's electric system. This fund is presented as a major fund in the basic financial statements.

Landfill Fund: The Landfill Fund is used to account for the operation by the City of the Blount County Landfill.

Internal Service Funds: Internal Service Funds are used to account for the providing of goods or services to other governmental operating units on a cost reimbursement basis. The purpose of centralizing certain activities in an Internal Service Fund is to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple units within the governmental organization. The objective of an Internal Service Fund is not to make a profit but rather to recover, over a period of time, the total cost of providing the goods or services. The following internal service funds are used by the City:

Employee's Insurance Trust Fund: The Employee's Insurance Trust Fund is used to account for the City's self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

Flexible Spending Account Fund: The Flexible Spending Account Fund is used to account for the City's flexible spending program. Employee payroll deductions are placed in this fund for the payment of dependent care and medical claims.

Service Center Fund: The Service Center Fund is used to account for services provided to other departments of the City by the Service Center, on a cost reimbursement basis.

City OPEB Insurance Fund: The City OPEB Insurance Fund is used to account for the City's other postemployment benefits.

School's OPEB Insurance Fund: The School's OPEB Insurance Fund is used to account for the School's other postemployment benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Fiduciary Fund Types

These funds account for assets held by the City as trustee or agent, and are as follows:

Pension Trust Fund: The Pension Trust Fund was established to provide pension benefits for City employees. The Pension Trust Fund is used to account for assets held by the City in a fiduciary capacity for employees or former employees of the City. The Pension Trust Fund, like Proprietary Funds, uses the accrual method of accounting.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, franchise fees, and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government's electric and water/sewer functions and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department, and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Nonoperating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION/FUND BALANCES

Deposits and Investments - Cash and cash equivalents include cash on hand, bank deposits and short-term investments with maturities of three months or less at the time of purchase, including deposits with the State Treasurer's Local Government Investment Pool (LGIP). The City pools substantially all of its cash and cash equivalents. All bank deposits are fully insured by the Tennessee Investment Collateral Pool.

Deposits with LGIP may be withdrawn with a maximum of one day's notice and are valued at cost. The State Pooled Investment Fund, of which LGIP is a part, is managed like a Rule SEC 2a-7 fund. The same investment guidelines are followed, but the State Pooled Investment Fund is not reported to the SEC.

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State and the Governor. Reporting is done monthly, quarterly and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets Rule SEC 2a-7 requirements and State laws.

Receivables - All receivables are shown net of an allowance for uncollectible accounts.

Unbilled Accounts Receivable - The City of Alcoa Utilities delay the recording of some accrued revenues due to the staggering of meter reading dates during the month. Consequently, there is a lag in meter reading time and billing dates as the Utilities do not bill at a cut-off date of June 30th, the year-end. Unbilled revenues are estimated by calculation of average daily revenue for the number of days unrecorded based on the following month's billing.

For the Electric Utility at June 30, 2020, unbilled revenue was estimated to be \$1,737,703. For the Water and Sewer Utility at June 30, 2020, unbilled revenue was estimated to be \$339,290.

Inventories and Prepaid Items - Materials and supplies inventories of the Proprietary Funds are maintained by a perpetual inventory accounting system and are valued on the lower of average cost or market, using the first-in first-out method. Inventory of the Alcoa City Schools' Cafeteria Fund is accounted for on the purchase (cost) basis, using the first-in first-out method.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements.

Regulated Operations - The Electric Utility Fund is an electric utility operation regulated by Tennessee Valley Authority (TVA), an agency of the federal government. TVA exercise 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).

Capital Assets - Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks, and culverts) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its life, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land, rights-of-way/easements, and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful Life (Years)</u>
Building	50
Improvements	20-50
Equipment and Vehicles	5-25
Infrastructure	25-50

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION/FUND BALANCES (Continued)

Deferred Outflows of Resources/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences - Accumulated unpaid vacation and vested sick pay are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

City Employees - Employees are granted vacation and sick leave in varying amounts. Vacation is generally granted for periods from two (2) to five (5) weeks based on the number of years employed. Employees earning more than two (2) weeks of vacation during the previous calendar year may carry over one (1) week (40 hours) of vacation leave in addition to that earned the preceding year. In the event of termination, an employee is reimbursed for accumulated vacation days. Sick leave is accumulated at one (1) day per month for an unlimited amount. Employees are reimbursed for accumulated sick leave up to a maximum of eighty (80) days only after reaching the established normal retirement age. If an employee terminates prior to attaining the normal retirement age, the accumulated sick leave is forfeited.

School System Personnel - Employees accumulate sick leave at the rate of one (1) day per month or a maximum of ten (10) days per year based upon a ten (10) month period. Non-professional employees of the School System have the same sick leave policies as other employees of the City.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Debt premiums and discounts are deferred and amortized over the life of the debt. Debt payable is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, in the period in which the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Proprietary fund financial statements recognize debt premiums and discounts as deferrals that are amortized to interest expense over the life of the debt. Debt payable is reported net of the applicable premium or discount. Under GASB *Statement No. 62*, debt issue costs that are recovered through rate charges established by the regulatory authority are recognized as deferred regulatory charges. They are amortized over the life of the debt.

Interfund Transactions - Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of electric and water/sewer services to other City departments. All other interfund transactions are reported as transfers.

Net Position and Fund Balance - Government-wide and proprietary fund net position is classified into three components. "Net investment in capital assets" consists of capital assets net of accumulated depreciation and reduced by outstanding debt used to finance the purchase or construction of those assets. "Restricted" net position is noncapital net assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City. "Unrestricted" net position is remaining net position that does not meet the definition of the other two categories.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION/FUND BALANCES (Continued)

Governmental fund equity is classified as fund balance. The City follows GASB No. Statement 54, *Fund Balance and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually are required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- c. Committed fund balances comprise those amounts that are set aside for a specific purpose by the City's highest level of decision-making authority (City Commission) through its highest level of formal action. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds. The General Fund has committed fund balance of \$500,000 for debt service.
- d. Assigned fund balances consist of amounts constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
- e. Unassigned fund balances consist of excess funds that have not been classified in the previous four categories. The general fund is the only governmental fund that reports positive unassigned fund balance. In governmental funds other than the General Fund, expenditures incurred for specific purposes exceeding the amounts that are restricted, committed or assigned to those purposes will result in a negative unassigned fund balance in that fund,

City Commission has retained the authority to assign funds for specific purposes. When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan, the Public Employee Retirement Plan (Hybrid Without Cost Controls), the Teacher Legacy Plan, and the Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and the additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan, the Public Employee Retirement Plan (Hybrid Without Cost Controls), the Teacher Legacy Plan, and the Teacher Retirement Plan of TCRS. Investments are reported at fair value.

Comparative Data/Reclassifications - Comparative total date for the prior year has been presented in selected sections of the accompanying financial statements to provide and understanding of the changes in the financial position and operations of the City. Comparative totals have not been included on statements where their inclusion would not provide enhanced understanding of the City's financial position and operations or would cause the statements to be unduly complex and difficult to understand.

Use of Estimates - The preparation of basic 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 amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In a timely manner, the City Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing is conducted by the City to obtain taxpayer comments.
3. Prior to July 1st, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts within a department of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Capital Project Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General Fund, Special Revenue Funds and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles.

(B) SUPPLEMENTAL APPROPRIATIONS

The following revisions were made to the original fiscal 2020 budgeted expenditures and other financing uses by additional appropriations for the following major governmental funds:

Fund	Original Budget	Revisions	Final Budget
General Fund	\$ 20,854,600	\$ 0	\$ 20,854,600
Education Fund	\$ 22,665,000	\$ 0	\$ 22,665,000

NOTE 3 - DEPOSITS AND INVESTMENTS

(A) DEPOSITS

Custodial Credit Risk - Deposits - For cash and cash equivalents, this is the risk that, in the event of a bank failure, the City's deposits may not be available, or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held.

Included in Cash and Cash equivalents at June 30, 2020 were balances in the State Treasurer's Local Government Investment Pool (LGIP) in the amount of \$14,105,438. Deposits with the LGIP are not subject to categorization and are reported at amortized cost using a table net asset value. The LGIP is not registered with the SEC as an investment company. However, the LGIP has a policy that it will operate in a manner consistent with the SEC's Rule 2a-7. SEC Rule 2a-7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. There are no minimum or maximum dollar limits on the size of withdrawal transactions. In most cases, a withdrawal will be honored the same day it is requested. However, withdrawals of \$5,000,000 or more will be honored the next working day after request.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

(B) INVESTMENTS

TCRS Stabilization Trust - The Alcoa City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The Alcoa City Schools has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of Alcoa City Schools. The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Alcoa City Schools may not impose any restrictions on investments placed by the trust on their behalf.

Employees' Retirement System of the City of Alcoa (the "System") - The System is included in the City's consolidated annual financial report as a pension trust fund, which is a fiduciary fund of the City.

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

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2020, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

(B) INVESTMENTS (Continued)

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

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

At June 30, 2020, the Alcoa City Schools and the System had the following investments held by the trust on its behalf.

	Weighted Average Maturity (Days)	Maturities	Stabilization Reserve Trust Fair Value	System Fair Value	Total
Investments at Fair Value					
U.S. Equity	N/A	N/A	\$ 13,617	\$ 8,055,964	\$ 8,069,581
Developed Market International Equity	N/A	N/A	6,149	3,638,178	3,644,327
Emerging Market International Equity	N/A	N/A	1,757	1,039,479	1,041,236
U.S. Fixed Income	N/A	N/A	8,784	5,197,397	5,206,181
Real Estate	N/A	N/A	4,392	2,598,698	2,603,090
Short-Term Securities	N/A	N/A	439	259,870	260,309
NAV -Private Equity and Strategic Lending	N/A	N/A	8,784	5,197,397	5,206,181
Total			\$ 43,922	\$ 25,986,983	\$ 26,030,905

	Fair Value Measurements Using				
	Carrying Amount	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost (NAV)
Investments at Fair Value					
U.S. Equity	\$ 8,069,581	\$ 8,069,581	\$ 0	\$ 0	\$ 0
Developed Market International Equity	3,644,327	3,644,327	0	0	0
Emerging Market International Equity	1,041,236	1,041,236	0	0	0
U.S. Fixed Income	5,206,181	0	5,206,181	0	0
Real Estate	2,603,090	0	0	2,603,090	0
Short-Term Securities	260,309	0	260,309	0	0
Private Equity and Strategic Lending	5,206,181	0	0	0	5,206,181
Total	\$ 26,030,905	\$ 12,755,144	\$ 5,466,490	\$ 2,603,090	\$ 5,206,181

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

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Alcoa City Schools and the System do not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Alcoa City Schools and the System do not have the ability to limit the credit ratings of individual investments made by the trust.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

(B) INVESTMENTS (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Alcoa City Schools and the System places no limit on the amount the county may invest in one issuer.

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

For further information concerning the investments with TCRS, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/aq19091.pdf>.

NOTE 4 - PROPERTY TAX

The City's property tax is levied each September 1st on the assessed value as listed by the County Assessor and is payable by each October 1st. Property taxes are delinquent after October 1st and are recorded as such on June 30th. The assessed values are established by the County Assessment Board. The City's tax rate for the year ended June 30, 2020 was \$1.96 per \$100 of assessed value.

Property taxes levied for 2019 and prior years, but uncollected as of June 30, 2020, are recorded as receivables, net of estimated amounts uncollectible based upon collections in prior years. The Allowance for Uncollectible Property Taxes as of June 30, 2019 is \$49,527. The taxes collected during the fiscal year ended June 30, 2020, and those taxes expected to be collected in the subsequent sixty (60) days, are recognized as revenues in the fiscal year ended June 30, 2020. The remainder of net property taxes receivable are recorded as deferred revenue.

Property taxes levied for the fiscal year ending June 30, 2021 are recorded as receivables and deferred revenue.

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

As of June 30, 2020, interfund receivables and payables were as follows:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>	Total <u>Balances</u>
Governmental Activities			
General Fund	\$ 10,010	\$ (14)	\$ 9,996
Total Governmental Activities	<u>\$ 10,010</u>	<u>\$ (14)</u>	<u>\$ 9,996</u>
Business-Type Activities			
Water and Sewer Utility	\$ 35,443	\$ 0	\$ 35,443
Electric Utility	0	(45,453)	(45,453)
Landfill	14	0	14
Total Business-Type Activities	<u>\$ 35,457</u>	<u>\$ (45,453)</u>	<u>\$ (9,996)</u>

The above balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

NOTE 5 - INTERFUND BALANCES AND TRANSFERS (Continued)

Transfers during the year are as follows:

Transfers From:	Transfers to:				
	General Fund	Debt Service Fund	Education Fund	Nonmajor Governmental Funds	Total
General Fund	\$ 0	\$ 5,800,000	\$ 170,000	\$ 525,000	\$ 6,495,000
Education Fund	0	0	0	20,839	20,839
Nonmajor Governmental Funds	0	0	0	650,000	650,000
Water & Sewer Utility Fund	400,000	0	0	0	400,000
Electric Utility Fund	1,642,775	0	0	0	1,642,775
Total	\$ 2,042,775	\$ 5,800,000	\$ 170,000	\$ 1,195,839	\$ 9,208,614

The transfers from the General Fund are to fund the operating activities of the receiving fund. The transfers from the Electric Utility Fund and Water and Sewer Utility Fund are transfers in lieu of payment of taxes.

NOTE 6 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2020 is as follows:

	Balance July 01, 2019	Increases	Decreases	Balance June 30, 2020
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,197,303	\$ 0	\$ 0	\$ 2,197,303
Construction in Progress	2,945,917	3,792,122	(1,724,643)	5,013,396
Total Capital Assets, Not Being Depreciated	5,143,220	3,792,122	(1,724,643)	7,210,699
Capital Assets, Being Depreciated:				
Buildings	64,529,907	0	0	64,529,907
Parks & Greenways	4,940,863	1,447,365	0	6,388,228
Improvements	15,930,994	253,937	0	16,184,931
Swimming Pools	1,047,667	0	0	1,047,667
Infrastructure	45,234,157	158,485	0	45,392,642
Capital Lease:				
Buildings (Civic Arts Center)	9,142,400	0	0	9,142,400
Communications Center	751,750	0	0	751,750
Equipment and Vehicles	11,306,779	456,737	(39,314)	11,724,202
Total Capital Assets, Being Depreciated	152,884,517	2,316,524	(39,314)	155,161,727
Less Accumulated Depreciation for:				
Buildings	(16,316,722)	(1,319,209)	0	(17,635,931)
Parks & Greenways	(1,636,473)	(134,509)	0	(1,770,982)
Improvements	(9,111,774)	(637,527)	0	(9,749,301)
Swimming Pools	(856,587)	(52,384)	0	(908,971)
Infrastructure	(22,322,989)	(1,077,184)	0	(23,400,173)
Capital Lease	(3,855,758)	(413,782)	0	(4,269,540)
Equipment and Vehicles	(8,266,260)	(647,848)	39,314	(8,874,794)
Total Accumulated Depreciation	(62,366,563)	(4,282,443)	39,314	(66,609,692)
Total Capital Assets, Being Depreciated, Net	90,517,954	(1,965,919)	0	88,552,035
Governmental Activities Capital Assets, Net	\$ 95,661,174	\$ 1,826,203	\$ (1,724,643)	\$ 95,762,734

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance July 01, 2019	Increases	Decreases	Balance June 30, 2020
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 3,754,381	\$ 0	\$ 0	\$ 3,754,381
Construction in Progress	<u>1,766,066</u>	<u>1,766,191</u>	<u>(1,034,171)</u>	<u>2,498,086</u>
Total Capital Assets, Not Being Depreciated	<u>5,520,447</u>	<u>1,766,191</u>	<u>(1,034,171)</u>	<u>6,252,467</u>
Capital Assets, Being Depreciated:				
Electric Plant in Service:				
Transmission	16,600,968	0	0	16,600,968
Distribution	61,649,170	2,522,708	(497,054)	63,674,824
General	13,344,201	787,091	(585,105)	13,546,187
Water & Sewer Plant in Service	92,700,441	1,885,401	(20,789)	94,565,053
Stormwater in Service	2,044,051	363,438	0	2,407,489
Landfill in Service	<u>14,202,208</u>	<u>117,249</u>	<u>0</u>	<u>14,319,457</u>
Total Capital Assets, Being Depreciated	<u>200,541,039</u>	<u>5,675,887</u>	<u>(1,102,948)</u>	<u>205,113,978</u>
Less Accumulated Depreciation for:				
Electric Plant in Service:				
Transmission	(8,963,782)	(518,406)	0	(9,482,188)
Distribution	(27,273,774)	(2,400,818)	495,484	(29,179,108)
General	(5,797,440)	(476,351)	355,855	(5,917,936)
Water & Sewer Plant in Service	(33,539,498)	(2,820,140)	20,789	(36,338,849)
Stormwater in Service	(632,393)	(96,656)	0	(729,049)
Landfill in Service	<u>(11,193,963)</u>	<u>(704,775)</u>	<u>0</u>	<u>(11,898,738)</u>
Total Accumulated Depreciation	<u>(87,400,850)</u>	<u>(7,017,146)</u>	<u>872,128</u>	<u>(93,545,868)</u>
Total Capital Assets, Being Depreciated, Net	<u>113,140,189</u>	<u>(1,341,259)</u>	<u>(230,820)</u>	<u>111,568,110</u>
Business-Type Activities Capital Assets, Net	<u>\$ 118,660,636</u>	<u>\$ 424,932</u>	<u>\$ (1,264,991)</u>	<u>\$ 117,820,577</u>

Depreciation expense was charged to the governmental functions in the government-wide financial statement as follows:

General Government	\$ 807,604
Public Safety	623,684
Public Works	1,220,225
Education	<u>1,630,930</u>
	<u>\$ 4,282,443</u>

NOTE 7 - DEBT AND LONG-TERM LIABILITIES

(A) BONDS AND NOTES PAYABLE

General Obligation Bonds - The City issues general obligation bonds to provide for the acquisition and construction of major roads, capital facilities and equipment. General obligation bonds have been issued for general government activities, business-type activities and to refund previously issued general obligation bonds. General obligation bonds outstanding at June 30, 2020 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$77,370,000 - 2008 Local Government Improvement Bonds, Series E-5-B, due in annual installments of \$100,000 to \$2,090,000 through June 2036, synthetic interest rate.	\$ 10,475,000	\$ 47,595,000	\$ 58,070,000
\$9,000,000 - General Obligation Bonds Series 2014B (taxable), due in annual installments of \$660,000 to \$830,000 through June 2026, variable interest 2.40% to 3.75%.	4,760,000	0	4,760,000
\$9,995,000 - 2015 General Obligation Bonds - due in annual installments of \$245,000 to \$545,000 through June 2045, variable interest 2.00% to 4.00%.	9,245,000	0	9,245,000
\$9,625,000 - 2016A General Obligation Bonds - due in annual installments of \$65,000 to \$975,000 through June 2036, variable interest 2.00% to 3.00%.	3,825,000	5,065,000	8,890,000
\$4,395,000 - 2016B Landfill General Obligation Bonds - due in annual installments of \$675,000 to \$775,000 through June 2022, interest at 2%.	0	1,545,000	1,545,000
\$9,995,000 - 2017 General Obligation Bonds - due in annual installments of \$460,000 to \$685,000 through June 2037, variable interest 2.00% to 3.00%.	9,535,000	0	9,535,000
\$9,975,000 - 2018 General Obligation Bonds - due in annual installments of \$255,000 to \$380,000 through May 2048, variable interest 3.50% to 5.00%.	6,915,000	2,545,000	9,460,000
\$28,300,000 - 2020 General Obligation Refunding Bonds - due in annual installments of \$355,000 to \$1,630,000 through June 2043, variable interest 3.00% to 5.00%.	<u>25,925,000</u>	<u>2,375,000</u>	<u>28,300,000</u>
Total General Obligation Bonds	<u>\$ 70,680,000</u>	<u>\$ 59,125,000</u>	<u>\$ 129,805,000</u>

The various bond indentures contain significant limitations and restrictions on annual debt service requirements. The City is in compliance with all significant limitations and restrictions. Premiums related to issuance of bonds are being amortized over the life of the bonds.

On June 25, 2020, the City issued \$28,300,000 General Refunding Obligation Bonds, Series 2020, maturing on June 1, 2043, with interest rates ranging from 3.00% to 5.00%. Of the Series 2020, \$25,925,000 has been allocated to governmental activities and the remaining \$2,375,000 to business-type activities. The governmental-type allocation of \$25,925,000 refunded the General Obligation Bonds, Series 2012, the General Obligation Bonds Series 2013A, and the General Obligation Bonds Series 2014. The business-type allocation of \$2,375,000 refunded the 2011 State Revolving Funds, Series DGO 11-110. The refunding reduced cash flows required for future debt service to be repaid by the City by \$7,473,870 over the next 22 years. The refunding resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$44,082.

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(A) BONDS AND NOTES PAYABLE (Continued)

The following is a summary of debt transactions of the City for the fiscal year ended June 30, 2020:

	Debt Payable July 1, 2019	Debt Issued	Debt Retired	Debt Refunding	Debt Payable June 30, 2020
General Obligation Bonds	\$ 136,530,000	\$ 28,300,000	\$ 6,500,000	\$ 28,525,000	\$ 129,805,000
Revenue Bonds	2,900,401	0	88,854	2,811,547	0
Capital Outlay Notes	38,161	0	38,161	0	0
Total Debt Payable	\$ 139,468,562	\$ 28,300,000	\$ 6,627,015	\$ 31,336,547	\$ 129,805,000

The following is a summary of the City's debt service requirements in five-year increments:

Fiscal Years Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 3,800,000	\$ 2,391,756	\$ 3,165,000	\$ 2,750,460	\$ 6,965,000	\$ 5,142,216
2022	3,900,000	2,310,654	3,290,000	2,622,850	7,190,000	4,933,504
2023	3,165,000	2,158,304	2,665,000	2,482,500	5,830,000	4,640,804
2024	3,260,000	2,044,764	2,785,000	2,351,650	6,045,000	4,396,414
2025	3,325,000	1,927,044	2,910,000	2,216,450	6,235,000	4,143,494
2026 - 2030	14,865,000	7,874,749	16,960,000	8,841,425	31,825,000	16,716,174
2031 - 2035	15,655,000	5,335,513	10,660,000	5,238,275	26,315,000	10,573,788
2036 - 2040	12,730,000	2,812,225	11,375,000	2,797,713	24,105,000	5,609,938
2041 - 2045	8,880,000	960,650	5,315,000	344,700	14,195,000	1,305,350
2046 - 2048	1,100,000	77,875	0	0	1,100,000	77,875
Totals	\$ 70,680,000	\$ 27,893,534	\$ 59,125,000	\$ 29,646,023	\$ 129,805,000	\$ 57,539,557

(B) CAPITALIZED LEASE OBLIGATIONS

Civic Arts Center

On May 2, 2006 the City Commission adopted a resolution authorizing the execution of a lease agreement with respect to a Civic Arts Center to be constructed on the campus of Maryville College; approving the issuance of bonds in an amount not to exceed \$33,685,000 by the Industrial Development Board of Blount County to finance the Civic Arts Centers; consenting to the assignment of the City's obligation under the lease agreement; and such other matters with respect to the Civic Arts Center. The lease obligates the City to pay annually an amount not to exceed 28.57% of the rental payments due, which shall be equal to a percentage of the principal and interest on the bonds. The Industrial Board entered a fifty (50) year lease with Maryville College to lease the land on which the Civic Arts Center was constructed. At the end of the fifty-year lease, the Civic Arts Center becomes the property of Maryville College.

Maryville College has committed a total of \$18,000,000 toward the debt service of the bonds. Any amounts paid will reduce the City of Alcoa's obligation under the lease. If Maryville College fulfills its commitment, the City's Lease Obligation would be reduced by \$5,452,600.

Communications Equipment

In 2010 the City of Alcoa entered into an inter-governmental agreement with Blount Count, Tennessee and the City of Maryville, Tennessee to acquire emergency communication equipment with Blount County being the lessee. The County subleased to each city their pro rata share. The terms of the agreement require the City to make lease payments totaling \$751,750, plus interest at 2.3%. Title to the equipment will transfer to each government at the end of the lease.

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(B) CAPITALIZED LEASE OBLIGATIONS (Continued)

Communications Equipment (Continued)

Changes in capital lease obligations for the year end June 30, 2020 were:

	Balance July 1, 2019	New Leases	Lease Payments	Balance June 30, 2020
Civic Center	\$ 7,090,000	\$ 0	\$ 290,000	\$ 6,800,000
Communications Center	214,785	0	122,241	92,544
Total	<u>\$ 7,304,785</u>	<u>\$ 0</u>	<u>\$ 412,241</u>	<u>\$ 6,892,544</u>

The following is a summary of the City's payments of capitalized lease obligations in five-year increments:

Fiscal Years Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 392,544	\$ 322,936
2022	310,000	292,500
2023	325,000	278,550
2024	340,000	263,925
2025	360,000	248,625
2026 - 2030	2,045,000	985,950
2031 - 2035	2,555,000	481,950
2036	565,000	25,425
Totals	<u>\$ 6,892,544</u>	<u>\$ 2,899,861</u>

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(C) TOTAL LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2020:

	Balance July 01, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental Activities					
Debt Payable:					
General Obligation Bonds	\$ 76,905,000	\$ 25,925,000	\$ 32,150,000	\$ 70,680,000	\$ 3,800,000
Premium on Bond Issuance	0	3,109,118	0	3,109,118	124,365
Total Debt Payable	<u>76,905,000</u>	<u>29,034,118</u>	<u>32,150,000</u>	<u>73,789,118</u>	<u>3,924,365</u>
Other Liabilities:					
Capital Lease Obligations	7,304,785	0	412,241	6,892,544	392,544
Compensated Absences	863,768	1,130,334	1,039,690	954,412	954,412
Total Other Liabilities	<u>8,168,553</u>	<u>1,130,334</u>	<u>1,451,931</u>	<u>7,846,956</u>	<u>1,346,956</u>
Total Liabilities	<u>\$ 85,073,553</u>	<u>\$ 30,164,452</u>	<u>\$ 33,601,931</u>	<u>\$ 81,636,074</u>	<u>\$ 5,271,321</u>
Business-Type Activities					
Debt Payable:					
General Obligation Bonds	\$ 59,625,000	\$ 2,375,000	\$ 2,875,000	\$ 59,125,000	\$ 3,165,000
Revenue Bonds	2,900,401	0	2,900,401	0	0
Capital Outlay Notes	38,161	0	38,161	0	0
Premium on Bond Issuance	0	406,551	44,628	361,923	28,896
Total Debt Payable	<u>62,563,562</u>	<u>2,781,551</u>	<u>5,858,190</u>	<u>59,486,923</u>	<u>3,193,896</u>
Other Liabilities:					
Compensated Absences	837,747	742,088	681,969	897,866	897,866
Total Liabilities	<u>\$ 63,401,309</u>	<u>\$ 3,523,639</u>	<u>\$ 6,540,159</u>	<u>\$ 60,384,789</u>	<u>\$ 4,091,762</u>

(D) INTEREST RATE SWAPS

The City's net position includes interest rate swap derivatives with a total negative fair value at June 30, 2020 of (\$7,808,797). The fair value of these derivatives was measured using Level 2 inputs, which were valued using a market approach that considers benchmark interest rates and foreign exchange rates.

Series D-5-C

On December 15, 2005, the City entered into a \$4,500,000 loan agreement with the Public Building Authority of Blount County (the "Authority"). Under its loan agreement, the Authority, at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-5-C effective on December 1, 2006.

Objective of the Interest Rate Swap - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$4.5 million Series D-5-C variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series D-5-C bonds have since been refunded with a portion of the proceeds of the Series E-5-B bonds and the interest rate swap is now associated with the Series E-5-B bonds.

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(D) INTEREST RATE SWAPS

Series D-5-C (Continued)

Terms - Under the swap, the Authority pays the counterparty a fixed payment of 3.883 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of \$4.5 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 E-5-B Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The swap agreement and the associated bonds mature on June 1, 2030. As of June 30, 2020, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.883%
Variable Payment from Counterparty	%LIBOR	<u>-0.206%</u>
Net Interest Rate Swap Payments		3.677%
Variable-Rate Bond Coupon Payments		<u>0.561%</u>
Effective Synthetic Interest Rate on Bonds		<u><u>4.238%</u></u>

Fair Value - As of June 30, 2020, the swap had a negative fair value of (\$1,229,407). 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, 2020, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa Bank, who was rated “A+” by Standard and Poor’s and “Aa3” by Moody’s Investor Service at the time the interest rate swap agreement was entered into. If Depfa’s credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2020, Depfa’s credit rating had been downgraded and was rated “A2/A-” by Moody’s and Standard and Poor’s, respectively. The counterparty has posted all collateral requirements with a third-party custodian.

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

Termination Risk - The 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 Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(D) INTEREST RATE SWAPS (Continued)

Series D-5-C (Continued)

Swap Payments and Associated Debt - As of June 30, 2020, 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,	Business-Type Activities			
	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2021	\$ 0	\$ 25,237	\$ 165,465	\$ 190,702
2022	100,000	25,237	165,465	290,702
2023	600,000	24,676	161,788	786,464
2024	0	21,311	139,726	161,037
2025	0	21,311	139,726	161,037
2026-2030	3,800,000	96,320	631,523	4,527,843
	<u>\$ 4,500,000</u>	<u>\$ 214,092</u>	<u>\$ 1,403,693</u>	<u>\$ 6,117,785</u>

Series D-7-A

On May 1, 2006, the City entered into a \$13,400,000 loan agreement with the Public Building Authority of Blount County (the "Authority"). Under its loan agreement, the Authority, at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series D-7-A effective on December 1, 2006.

Objective of the Interest Rate Swap - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$13.4 million Series D-7-A variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series D-7-A bonds have since been refunded with a portion of the proceeds of the Series E-5-B bonds and the interest rate swap is now associated with the Series E-5-B bonds.

Terms - Under the swap, the Authority pays the counterparty a fixed payment of 3.8675 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of \$13.4 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 E-5-B Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The swap agreement and the associated bonds mature on June 1, 2040. As of June 30, 2020, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.868%
Variable Payment from Counterparty	%LIBOR	<u>-0.206%</u>
Net Interest Rate Swap Payments		3.662%
Variable-Rate Bond Coupon Payments		<u>0.561%</u>
Effective Synthetic Interest Rate on Bonds		<u><u>4.223%</u></u>

Fair Value - As of June 30, 2020, the swap had a negative fair value of (\$6,372,825). 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.

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(D) INTEREST RATE SWAPS (Continued)

Series D-7-A (Continued)

Credit Risk - As of June 30, 2020, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa Bank, who was rated "A+" by Standard and Poor's and "Aa3" by Moody's Investor Service at the time the interest rate swap agreement was entered into. If Depfa's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2020, Depfa's credit rating had been downgraded and was rated "A2/A-" by Moody's and Standard and Poor's, respectively. The counterparty has posted all collateral requirements with a third-party custodian.

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

Termination Risk - The 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 Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt - As of June 30, 2020, 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,	Business-Type Activities			
	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2021	\$ 0	\$ 75,150	\$ 490,707	\$ 565,857
2022	0	75,150	490,707	565,857
2023	0	75,150	490,707	565,857
2024	0	75,150	490,707	565,857
2025	0	75,150	490,707	565,857
2026-2030	0	375,748	2,453,536	2,829,284
2031-2035	5,900,000	317,423	2,072,689	8,290,112
2036-2040	7,500,000	126,181	823,949	8,450,130
	<u>\$ 13,400,000</u>	<u>\$ 1,195,102</u>	<u>\$ 7,803,709</u>	<u>\$ 22,398,811</u>

Series IV-B-5

On January 1, 2000, the City entered into a \$10,000,000 loan agreement with the Public Building Authority of Sevier County (the "Authority"). Under its loan agreement, the Authority, at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-B-5 on June 19, 2002.

Objective of the Interest Rate Swap - In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series IV-B-5 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series IV-B-5 bonds have since been refunded with a portion of the proceeds of the Series E-5-B bonds and the interest rate swap is now associated with the Series E-5-B bonds.

NOTE 7 - DEBT AND LONG-TERM LIABILITIES (Continued)

(D) INTEREST RATE SWAPS (Continued)

Series IV-B -5 (Continued)

Terms - Under the swap, the Authority pays the counterparty a fixed payment of 4.20 percent and receives a variable payment computed as 63.10 percent of the five-year London Interbank Offered Rate (LIBOR). The swap had an original notional amount of \$10 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 E-5-B Bonds. The variable-rates on the bonds have historically approximated the Securities Industry and Financial Markets Association Index™ (the “SIFMA”). The swap agreement and the associated bonds mature on June 1, 2022. As of June 30, 2020, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	4.200%
Variable Payment from Counterparty	%LIBOR	-0.206%
Net Interest Rate Swap Payments		3.994%
Variable-rate bond coupon payments		0.561%
Effective Synthetic interest rate on bonds		<u>4.555%</u>

Fair Value - As of June 30, 2020, the swap had a negative fair value of (\$206,565). 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, 2020, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty, Raymond James Financial Products (“RJFP” formerly Morgan Keegan Financial Products) was rated “Baa1/BBB+” by Moody’s and Standard and Poor’s, respectively, as of June 30, 2020, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A- by Moody’s, Standard & Poor’s and Fitch, respectively.

Basis Risk - As noted above, the swap exposes the City to basis risk should the rate on the Bonds increase to above 63.1% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63.1% 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 Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap’s fair value.

Swap Payments and Associated Debt - As of June 30, 2020, 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,	Governmental Activities			
	<u>Variable Rate Bonds</u>		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2021	\$ 1,790,000	\$ 10,543	\$ 75,090	\$ 1,875,633
2022	<u>1,880,000</u>	<u>10,544</u>	<u>75,090</u>	<u>1,965,634</u>
	<u>\$ 3,670,000</u>	<u>\$ 21,087</u>	<u>\$ 150,180</u>	<u>\$ 3,841,267</u>

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Employees of the City and its School System participate in the following retirement systems:

- a. Employees' Retirement System of the City of Alcoa
- b. Public Employee Retirement Plan (Legacy)
- c. Public Employee Retirement Plan (Hybrid Without Cost Controls)
- d. Teacher Legacy Plan
- e. Teacher Retirement Plan
- f. Deferred Compensation Plan

The following information is provided to support the balances as of June 30, 2020 in the total column on the Statement of Net Position on page 1 of the financial statements.

	Employees' Retirement System of the City of Alcoa	Public Employee Retirement Plan	Public Employee Retirement Plan (Hybrid Without Cost Controls)	Teacher Legacy Plan	Teacher Retirement Plan	All Plans
Net Pension Asset	\$ 0	\$ 0	\$ 0	\$ 2,980,102	\$ 50,546	\$ 3,030,648
Net Pension Liability	\$ 10,132,540	\$ 1,900,634	\$ 31,710	\$ 0	\$ 0	\$ 12,064,884
Pension Deferred Outflow s	\$ 1,512,265	\$ 4,054,470	\$ 424,756	\$ 1,761,714	\$ 29,454	\$ 7,782,659
Pension Deferred Inflow s	\$ 362,545	\$ 661,621	\$ 3,682	\$ 2,680,990	\$ 15,669	\$ 3,724,507

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA

General Information

Plan Description - The City's single-employer defined benefit plan, the Employees' Retirement System of the City of Alcoa (the "System"), provides pension benefits to City employees. All full-time employees that are employed at least 30 hours per week shall become members of the System on the first day of the calendar month coincident with or next following the date of employment. Certain department heads may elect not to become members of the System. Each employee shall be classified as a general employee, fireman, policeman or lineman. The funds of the retirement system are invested in a trust fund managed and custodied by the Tennessee Consolidated Retirement System. The System's complete financial statements are included in the City of Alcoa's consolidated annual financial report.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued)

General Information (Continued)

Benefits Provided - The System provides benefits as follows:

	Condition/Benefit
Retirement Dates:	
Normal Retirement Date	Age 55 with 25 years of service, or age 65 with 5 years of service.
Early Retirement Date	Age 55 with 15 years of service.
Retirement Income:	
Normal Retirement of After	Average annual salary times 1.40% per year of service, plus excess average annual salary times 0.316% per year of service up to 35. If a member's normal retirement benefit payments commence before age 62, then the member will receive a temporary supplemental equal to the member's projected social security benefit, payable until age 62.
Early Retirement	A benefit deferred to normal retirement age, calculated as above, or an immediate benefit actuarially reduced.
Disability	A benefit deferred to normal retirement age, calculated as above, but with service credited to the normal retirement age. Available for total and permanent disability after 5 years of service.
Other Termination	A benefit deferred to normal retirement age, calculated as above. Available after 5 years of service.
Normal Form of Payment	Single life annuity, starting after the payment of three months of severance payments for retirement eligible members.
Optional Payment Forms	Life income with guaranteed payments (5, 10 or 15 years). Joint and survivor with 50%, 75% or 100% to the survivor.
Death Benefit:	
Pre-retirement	If a participant dies before retirement, but after 5 years of service, a monthly death benefit equal to 50% of the benefit earned by the member is payable for the life of the surviving spouse, or for a 5-year period if there is not a surviving spouse. The death benefit starts at the member's earliest retirement age.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2019, the following City employees were covered by the System:

Inactive Employees or Beneficiaries Currently Receiving Benefits	170
Inactive Employees Entitled to, but not yet Receiving Benefits	14
Active Employees Entitled to but not yet Receiving Benefits	31
Total	215

The System was closed to new entrants effective May 18, 2000.

Contributions - The City makes employer contributions based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability for past service costs. The System is noncontributory, and no contributions are required by members of the system. For the year ended June 30, 2020, the employer contributions for the City to the System were \$2,469,096 based on a rate of 61.25% of covered payroll.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued)

Net Pension Liability

Pension Liability - The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of July 1, 2020.

Actuarial Assumptions - The total pension liability as of the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

- Actuarial Cost Method: Entry Age Normal (level percentage of pay).
- Amortization Method: Level Dollar, not to exceed 30-year closed period.
- Mortality Rates: 110% of the SOA PubG-2010 Mortality Tables, with current and future mortality improvement estimated by projecting improvement using Scale MP-2019.
- Salary Scale: 4.0% Annual increase to normal retirement, with adjustment for longevity and sick pay.
- Social Security Scale: 4.0% Annual increase to wage base and cost of living escalation.
- Discount Rate: 7.25% per Annum.
- Marriage Assumption: 85% of Participants are Assumed to be married with husbands assumed to be 4 years older than wives.
- Other Assumptions: Credited service adjusted to reflect accumulated sick leave.
- Provision for Expenses: Expected expenses are assumed to equal prior year actual expenses.
- Asset Valuation Method: Five-year smoothing of difference between market value and expected market assets.

The funds of the System are invested in the Tennessee Retiree Group Trust (the "TRGT"). The TCRS and State Treasurer serve as custodians of the TRGT and are responsible for managing and directing the investments of the TRGT. See summary information above for the long-term expected rate of return and target allocations of the TCRS for the TRGT.

Changes in Net Pension Liability

The changes in net pension liability are shown below:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
<u>Balances at June 30, 2018</u>	<u>\$ 36,622,132</u>	<u>\$ 26,004,114</u>	<u>\$ 10,618,018</u>
Changes for the Year:			
Service Cost	167,476	0	167,476
Interest	2,560,640	0	2,560,640
Contributions - Employer	0	1,397,040	(1,397,040)
Net Investment Income	0	1,865,151	(1,865,151)
Benefit Payments - Including Refunds of			
Employee Contributions	(2,940,875)	(2,940,875)	0
Administrative Expenses	0	(48,597)	48,597
Net Changes	<u>(212,759)</u>	<u>272,719</u>	<u>(485,478)</u>
<u>Balances at June 30, 2019</u>	<u>\$ 36,409,373</u>	<u>\$ 26,276,833</u>	<u>\$ 10,132,540</u>

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(A) EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF ALCOA (Continued)

Changes in Net Pension Liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability using the stated discount rate of 7.25%, as well as what the net position liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Net Pension Liability (Asset) 2019	\$ <u>(13,526,090)</u>	\$ <u>(10,132,540)</u>	\$ <u>(7,200,276)</u>

Pension Expense and Deferred Outflows/Inflows of Resources Related to the System

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$407,324. At June 30, 2020, the City reported deferred outflows of resources and deferred inflow of resources related to the System from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 0	\$ 362,545
Contributions Subsequent to the Measurement Date of June 30, 2019	<u>1,512,265</u>	<u>0</u>
Total	<u>\$ 1,512,265</u>	<u>\$ 362,545</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2019" will be recognized as a reduction to net pension liability in the following measurement period.

Pension Expense and Deferred Outflows/Inflows of Resources Related to the System (Continued)

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

For the Years ended June 30,

2021	\$ 188,795
2022	(355,854)
2023	(165,407)
2024	(30,079)

(B) PLANS ADMINISTERED BY THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

The Public Employee Retirement Plan (Legacy), Public Employee Retirement Plan (Hybrid Without Cost Controls), Teacher Legacy Plan and Teacher Retirement plan are defined benefits plans administered by the Tennessee Consolidated Retirement System (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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-investment-Policies>.

The following information applies to all four retirement plans administered by the TCRS and is provided here so it is not repeated in the descriptions of each of these plans.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(B) PLANS ADMINISTERED BY THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

Contributions - TCRS

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) - TCRS

Net Pension Liability (Asset) - The net pension liability (asset) for each plan was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.0%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Net Pension Liability (Asset) - TCRS

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Markets International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
Total		100%

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

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(B) PLANS ADMINISTERED BY THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS) (Continued)

Net Pension Liability (Asset) - TCRS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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 Alcoa 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.

(C) PUBLIC EMPLOYEE RETIREMENT PLAN - LEGACY

General Information about the Pension Plan

Plan Description - Employees of City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS.

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A 1% COLA is granted if the CPI change is between one-half percent and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by the Benefit Terms - At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	76
Inactive Employees Entitled to, but not yet Receiving Benefits	117
Active Employees	<u>208</u>
Total	<u><u>401</u></u>

The plan is closed to new entrants hired after July 1, 2014.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(C) PUBLIC EMPLOYEE RETIREMENT PLAN - LEGACY (Continued)

General Information about the Pension Plan (Continued)

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City has adopted a noncontributory plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for the City were \$1,874,791 based on a rate of 15.82% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
<u>Balances at June 30, 2018</u>	<u>\$ 44,774,781</u>	<u>\$ 42,388,775</u>	<u>\$ 2,386,006</u>
Changes for the Year:			
Service Cost	924,323	0	924,323
Interest	3,264,516	0	3,264,516
Difference between Expected and Actual Experience	382,156	0	382,156
Changes of Assumptions	0	0	0
Contributions - Employer	0	1,898,893	(1,898,893)
Contributions - Employees	0	0	0
Net Investment Income	0	3,176,264	(3,176,264)
Benefit Payments - Including Refunds of Employee Contributions	(1,342,601)	(1,342,601)	0
Administrative Expenses	0	(18,790)	18,790
Net Changes	<u>3,228,394</u>	<u>3,713,766</u>	<u>(485,372)</u>
<u>Balances at June 30, 2019</u>	<u>\$ 48,003,175</u>	<u>\$ 46,102,541</u>	<u>\$ 1,900,634</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.25%)</u>	<u>Discount</u>	<u>(8.25%)</u>
		<u>Rate (7.25%)</u>	
Net Pension Liability (Asset)			
2019	<u>\$ 8,804,023</u>	<u>\$ 1,900,634</u>	<u>\$ (3,827,468)</u>

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(C) PUBLIC EMPLOYEE RETIREMENT PLAN - LEGACY (Continued)

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

Pension Expense - For the year ended June 30, 2020, the City recognized pension expense of \$1,740,057.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,608,632	\$ 140,147
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	521,474
Changes of Assumptions	571,077	0
Contributions Subsequent to the Measurement Date of June 30, 2019	<u>1,874,761</u>	<u>0</u>
Total	<u>\$ 4,054,470</u>	<u>\$ 661,621</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” 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:

For the Years ended June 30.

2021	\$ 356,718
2022	43,011
2023	304,796
2024	388,951
2025	370,018
Thereafter	54,594

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, 2020, the City reported no outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2020.

(D) PUBLIC EMPLOYEE RETIREMENT PLAN (HYBRID WITHOUT COST CONTROLS)

Plan Description - Employees of City are provided a defined benefit pension plan through the Public Employee Retirement Plan (Hybrid Without Cost Controls), an agent multiple-employer pension plan administered by the TCRS.

Benefits Provided - Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and service credit total 90. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member’s age and service credit total 80. 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 retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(D) PUBLIC EMPLOYEE RETIREMENT PLAN (HYBRID WITHOUT COST CONTROLS) (Continued)

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

Employees Covered by Benefit Terms - At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to, but not yet Receiving Benefits	7
Active Employees	<u>103</u>
Total	<u><u>110</u></u>

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City has adopted a noncontributory plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, the employer contributions for the City were \$261,484 based on a rate of 5.82% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
<u>Balances at June 30, 2018</u>	<u>\$ 361,008</u>	<u>\$ 343,389</u>	<u>\$ 17,619</u>
Changes for the Year:			
Service Cost	150,708	0	150,708
Interest	37,099	0	37,099
Difference between Expected and Actual Experience	58,780	0	58,780
Changes of Assumptions	0	0	0
Contributions - Employer	0	207,800	(207,800)
Contributions - Employees	0	0	0
Net Investment Income	0	32,996	(32,996)
Benefit Payments - Including Refunds of Employee Contributions	0	0	0
Administrative Expenses	<u>0</u>	<u>(8,300)</u>	<u>8,300</u>
Net Changes	<u>246,587</u>	<u>232,496</u>	<u>14,091</u>
<u>Balances at June 30, 2019</u>	<u><u>\$ 607,595</u></u>	<u><u>\$ 575,885</u></u>	<u><u>\$ 31,710</u></u>

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(D) PUBLIC EMPLOYEE RETIREMENT PLAN (HYBRID WITHOUT COST CONTROLS)

Net Pension Liability (Asset)(Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability (Asset) 2019	\$ 198,922	\$ 31,710	\$ (94,886)

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

Pension Expense - For the year ended June 30, 2020, the City recognized pension expense of \$178,527.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 160,297	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,682
Changes of Assumptions	2,975	0
Contributions Subsequent to the Measurement Date of June 30, 2019	<u>261,484</u>	<u>0</u>
Total	<u>\$ 424,756</u>	<u>\$ 3,682</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>For the Years ended June 30,</u>	
2021	\$ 14,531
2022	14,257
2023	15,103
2024	15,626
2025	15,800
Thereafter	84,273

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, 2020, the City reported no payables outstanding to the pension plan.

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

(D) PUBLIC EMPLOYEE RETIREMENT PLAN (HYBRID WITHOUT COST CONTROLS) (Continued)

Defined Contribution Plan

The City has adopted the State of Tennessee's defined contribution retirement plan for employees as a component of the Public Employee Retirement Plan (Hybrid Plan Without Cost Controls) for employees hired on or after July 1, 2014.

The City has elected to contribute 5% of each eligible participant's compensation per year. The City contributed \$224,642 to the plan during 2020 which represents 5% of covered payroll. Covered payroll for the City for the year ended June 30, 2020 was \$4,492,849.

(E) TEACHER LEGACY PLAN

General Information about the Pension Plan

Plan Description - Teachers employed by the Alcoa City Schools with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

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

Contributions - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Alcoa City Schools for the year ended June 30, 2020 to the Teacher Legacy Pension Plan were \$1,075,125 which is 10.32% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets) - At June 30, 2020, the Alcoa City Schools reported a liability (asset) of \$(2,980,102) for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Alcoa City Schools' proportion of the net pension liability was based on Alcoa City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, Alcoa City Schools' proportion was 0.289842%. The proportion measured as of June 30, 2018 was 0.275366%.

Pension Expense (Negative Pension Expense) - For the year ended June 30, 2020, Alcoa City Schools recognized pension expense (negative pension expense) of \$469,998.

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

(E) TEACHER LEGACY PLAN (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2020, Alcoa City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources shown below:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 145,094	\$ 1,820,306
Changes of Assumptions	401,584	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	851,473
Changes in Proportion of Net Pension Liability (Asset)	139,911	9,211
LEAs Contributions Subsequent to the Measurement Date of June 30, 2019	<u>1,075,125</u>	<u>0</u>
Total	<u>\$ 1,761,714</u>	<u>\$ 2,680,990</u>

Alcoa City Schools' employer contributions of \$1,075,125 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) in net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Years ended June 30,

2021	\$ (535,768)
2022	(804,076)
2023	(369,579)
2024	(284,978)

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents Alcoa City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what Alcoa City Schools' proportionate share of the net pension liability (asset) would be if we were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Alcoa City Schools' Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 6,093,448</u>	<u>\$ (2,980,102)</u>	<u>\$ (10,197,860)</u>

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

Payable to the Pension Plan

At June 30, 2020, Alcoa City Schools' reported no payables for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2020.

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

(F) TEACHER RETIREMENT PLAN

General Information about the Pension Plan

Plan Description - Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

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

Contributions - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2020 to the Teacher Retirement Plan were \$44,662, which is 4% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets) - At June 30, 2020, Alcoa City Schools reported a liability (asset) of (\$50,546) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Alcoa City Schools' proportion of the net pension asset was based on Alcoa City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, Alcoa City Schools' proportion was 0.089544%. The proportion measured as of June 30, 2018 was 0.093047%.

Pension Expense - For the year ended June 30, 2020, Alcoa City Schools' recognized a pension expense of \$15,675.

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

(F) TEACHER RETIREMENT PLAN (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2020, Alcoa City Schools' reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,096	\$ 8,824
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,137
Changes of Assumptions	1,756	0
Changes in Proportion of Net Pension Liability (Asset)	2,936	4,708
LEAs Contributions Subsequent to the Measurement Date of June 30, 2019	<u>22,666</u>	<u>0</u>
Total	<u>\$ 29,454</u>	<u>\$ 15,669</u>

Alcoa City Schools employer contributions of \$22,666, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Years ended June 30,

2019	\$ (1,259)
2020	(1,586)
2021	(987)
2022	(681)
2023	(594)
Thereafter	(3,774)

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents Alcoa City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what Alcoa City Schools' proportionate share of the net pension liability (asset) would be if we were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Alcoa City Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ <u>16,015</u>	\$ <u>(50,546)</u>	\$ <u>(99,748)</u>

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

Payable to the Pension Plan

At June 30, 2020, Alcoa City Schools' reported no payable for the outstanding amount of contributions to the pension plan, including employee contributions, required at the year ended June 30, 2020.

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

(F) TEACHER RETIREMENT PLAN (Continued)

Defined Contribution Plan

Alcoa City Schools contributes to the Higher Education and Teacher Hybrid Plan, a defined contribution pension plan under section 401(k) of the Internal Revenue Code, for teachers with membership in the Tennessee Consolidated Retirement System after July 1, 2014. This plan is a component of the defined benefit plan reported above. Benefit terms, including contribution requirements, for the defined contribution plan are established by Tennessee Code Annotated Title 8, Chapters 34-37 and may be amended by the Tennessee General Assembly. For each employee in the pension plan the Alcoa City Schools is required to contribute 5% of annual salary to an individual employee account. Employees have a 2% contribution, with an opt-out feature. For the year ended June 30, 2020 the Alcoa City Schools recognized pension expense of \$55,827. Employees are immediately vested on all contributions and earnings on those contributions. The Alcoa City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan known as the City of Alcoa Thrift Plan (the "Thrift Plan"). The Thrift Plan is available to all city employees and permits them to defer a portion of their salary until future years. Contributions to the plan are optional. The deferred compensation is not available to employees until termination, retirement, or death.

The Thrift Plan qualifies under Internal Revenue Section 457(g). The assets of the deferred compensation plan are held in trust (not available to the creditors of the City) and the City does not act as a fiduciary or administrator of the trust. The Thrift Plan administrator provides an annual valuation report to the City. The Thrift Plan assets totaled \$21,070,130 as of June 30, 2020.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In addition to the pension benefits described in Note 8, the City maintains separate OPEB plans for City Retirees and for School System Retirees. As of June 30, 2020, total plan balances presented in the statement of net position are as follows:

	City	School System	All Plans
Other Postemployment Benefit Liability	\$ 5,930,449	\$ 4,583,028	\$ 10,513,477
Pension Deferred Outflows	\$ 807,037	\$ 968,213	\$ 1,775,250
Pension Deferred Inflows	\$ 321,150	\$ 1,548,567	\$ 1,869,717

(A) CITY

General Information About the OPEB Plan

Plan Description - The City provides post-retirement health care benefits (the "Plan") to certain retirees. The City will allow retirees and their spouse to participate in the City's health insurance plan provided the retiree pays the requisite premium. To participate, retirees must have reached the age of 55 with 25 years of service or age 62 with 15 years of service or be on disability retirement and must have health benefits coverage in the self-insured plan provided by the City. Employees must be hired prior to January 1, 2015 to participate in this plan. The retiree can remain on the City plan from age 55 through age 65 by paying half of the coverage premium to the City. The Plan is a single-employer plan.

Benefits Provided - The City's healthcare plan is insured by UMR. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age as medical costs tend to increase with age. As a result, older employees receive a more valuable benefit than younger employees. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(A) CITY (Continued)

General Information About the OPEB Plan (Continued)

Employees Covered by the Benefit Terms - At the measurement date of June 30, 2020, the following employees of the City were covered by the benefit terms of the Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	56
Inactive Employees Entitled to, but not yet Receiving Benefits	0
Active Employees	267
Total	323

The contribution requirements are established and may be amended by the City. The Plan is currently being funded on a pay-as-you-go basis, whereby amounts paid to retirees and their matching payments are the only contributions. There are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2020, the City paid \$413,592 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions and Other Inputs - The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary Increases	4.00%
Healthcare Cost Trend Rates	7.50% graded uniformly to 6.75% over 3 years and following the Getzen model thereafter.
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain coverage.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial demographic assumptions used in the July 1, 2020 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2020 was 2.51%. This rate reflects the interest rate derived from yields on the S&P Municipal Bond Index prevailing on the measurement date.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(A) CITY (Continued)

Total OPEB Liability (Continued)

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ 5,478,987
Changes for the Year	
Service Cost	127,360
Interest	130,338
Experience Losses (Gains)	(401,439)
Changes in Assumptions	1,008,795
Benefits Payments	<u>(413,592)</u>
Net Changes	<u>451,462</u>
Balance at June 30, 2020	\$ <u>5,930,449</u>

Changes in Assumptions - The discount rate was changed from 3.23% as of June 30, 2019 to 2.51% as of June 30, 2020. Mortality was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2017 to table Pri-2012 projected using scale MP-2019. The age variance was changed from 3% from year down from age 65 to age 55 to the factors in the Yamamoto Aging Tables. The healthcare cost trend rate was changed from 8% graded uniformly to 5% over 10 years to 7.5% graded uniformly to 6.75% over 3 years and following the Getzen model thereafter to an ultimate rate of 4.04% in the year 2075.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to the plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.51%) or 1 percentage-point higher (3.51%) than the current discount rate:

	<u>1% Decrease (1.51%)</u>	<u>Current Discount Rate (2.51%)</u>	<u>1% Increase (3.51%)</u>
Total OPEB Liability	<u>\$ 6,363,557</u>	<u>\$ 5,930,449</u>	<u>\$ 5,527,350</u>

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current healthcare cost trend rate.

	<u>1% Decrease (5.75%)</u>	<u>Healthcare Cost Trend Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Total OPEB Liability	<u>\$ 5,046,841</u>	<u>\$ 5,930,449</u>	<u>\$ 6,537,924</u>

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(A) CITY (Continued)

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

OPEB Expense - For the fiscal year ended June 30, 2020, the Utility recognized OPEB expense of \$398,741.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience Gains	\$ 0	\$ 321,150
Change in Assumptions	<u>807,037</u>	<u>0</u>
Totals as of June 30, 2020	<u>\$ 807,037</u>	<u>\$ 321,150</u>

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

For the Years ended June 30:

2021	\$ 121,471
2022	121,471
2023	121,471
2024	<u>121,474</u>
Total	<u>\$ 485,887</u>

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

(B) SCHOOL SYSTEM

General Information About the OPEB Plan

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

Once the certified retirees of Alcoa City Schools reach Medicare eligibility, they may then join the Tennessee Plan (TNP), which provides supplemental medical insurance for retirees with Medicare. However, the Alcoa City Schools does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNP.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(B) SCHOOL SYSTEM (Continued)

General Information About the OPEB Plan (Continued)

Benefits Provided - The Alcoa City Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the TGOP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. Alcoa City Schools does not provide a direct subsidy toward retirees' insurance premiums and is subject only to the implicit subsidy. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees' premiums based on years of service. Retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	36
Inactive Employees Entitled to, but not yet Receiving Benefits	18
Active Employees	<u>140</u>
Total	<u><u>194</u></u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Alcoa City Schools paid \$190,522 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

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

Inflation	2.20%
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%.
Healthcare Cost Trend Rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(B) SCHOOL SYSTEM (Continued)

Total OPEB Liability (Continued)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in the Collective Total Liability – Changes in the collective total liability are as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 4,852,042
Changes for the Year	
Service Cost	296,908
Interest	181,590
Change of Benefit Terms	630,540
Differences Between Expected and Actual Experience	802,344
Changes in Assumptions	(436,740)
Benefits Payments	<u>(267,700)</u>
Net Changes	<u>1,206,942</u>
Balance at June 30, 2019	\$ <u>6,058,984</u>
Nonemployer Contributing Entities Proportionate Share of the Collective Total OPEB Liability	\$ 1,475,956
Employer's Proportionate Share of the Collective Total OPEB Liability	\$ 4,583,028
Employer's Proportion of the Collective Total OPEB Liability	\$ 75.64%

The Alcoa City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Alcoa City Schools' proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.12% from the prior measurement date. Alcoa City Schools recognized \$224,195 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Alcoa City School retirees.

Changes in Assumptions - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(B) SCHOOL SYSTEM (Continued)

Total OPEB Liability (Continued)

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	<u>1% Decrease (2.51%)</u>	<u>Current Discount Rate (3.51%)</u>	<u>1% Increase (4.51%)</u>
Proportionate Share of Collective Total OPEB Liability	\$ <u>4,954,540</u>	\$ <u>4,583,028</u>	\$ <u>4,239,710</u>

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

	<u>1% Decrease (5.03%/4.20% decreasing to</u>	<u>Healthcare Cost Trend Rates (6.03%/5.20% decreasing to</u>	<u>1% Increase (7.03%/6.20% decreasing to</u>
Proportionate Share of Collective Total OPEB Liability	\$ <u>4,070,644</u>	\$ <u>4,583,028</u>	\$ <u>5,188,096</u>

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

OPEB Expense - For the fiscal year ended June 30, 2020, Alcoa City Schools recognized OPEB expense of \$967,260.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2020, Alcoa City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ 539,312	\$ 1,098,492
Changes of Assumptions	144,842	450,075
Changes in Proportions	93,537	0
Employer Payments Subsequent to the Measurement Date	<u>190,522</u>	<u>0</u>
Totals as of June 30, 2020	\$ <u>968,213</u>	\$ <u>1,548,567</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

(B) SCHOOL SYSTEM (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>For the Years ended June 30:</u>	
2021	\$ (95,814)
2022	(95,814)
2023	(95,814)
2024	(95,814)
2025	(95,814)
Thereafter	<u>(291,806)</u>
Total	<u>\$ (770,876)</u>

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

On-Behalf Payments

TGOP Plan - The State of Tennessee makes a contribution (on-behalf payment) for School System employees who participate in the TGOP. The on-behalf payment for fiscal year 2020 was \$69,829 and has been recorded as a revenue and expenditure in the Education Fund.

TNP - The State of Tennessee makes a contribution (on-behalf payment) for School System employees who participate in the TNO. The on-behalf payment for fiscal year 2020 was \$20,142 and has been recorded as a revenue and expenditure in the Education Fund.

NOTE 10 - EMPLOYEE HEALTH INSURANCE INTERNAL SERVICE FUND

The City has established the Employees' Insurance Trust Fund for risks associated with the employee's health insurance plan. The Employees Insurance Trust is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a limit of \$100,000 per specific loss. The City has obtained a stop/loss commercial insurance policy to cover claims beyond the \$100,000 per specific loss. The maximum liability approximates \$85 million for the year (based on 850 covered persons at a maximum of \$100,000 per covered person).

All full-time employees of the primary government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This premium charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The Employees' Insurance Trust Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount.

Changes in the balance of claims liabilities during the past three fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims</u>	<u>Liability Balance at Fiscal Year End</u>
2018	\$ 474,047	\$ 4,909,620	\$ 548,855
2019	548,855	4,030,887	686,316
2020	686,316	3,780,224	707,457

The City carries commercial insurance for all other risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the prior three (3) fiscal years.

NOTE 11 - CONTRACT/PROGRAMS WITH TENNESSEE VALLEY AUTHORITY (TVA)

The City has a power contract with TVA whereby the City purchases 100% its electric power from TVA subject to certain restrictions and conditions. The restrictions and conditions include prohibitions against diverting Electric Utility Fund assets to other operations of the City, securing indebtedness of other operations, or paying more than the Electric Utility Fund's equitable share of tax equivalents.

The City participates in TVA's Home Energy Conservation Program. TVA advances the funds from which the City disburses for approved customer home insulation and heat pumps. In the event of customer default, the City does not have loss exposure. As of June 30, 2020, receivables from customers for conservation loans was \$594,822.

The City participates in the TVA program for prepayment of wholesale power invoices. The prepayment account earns daily interest based on TVA's average short-term interest rate. TVA reduces the prepayment account for the amount of the City's monthly power invoice each month. As of June 30, 2020, the total prepaid TVA power invoice program was \$3,408,911.

NOTE 12 - CONSTRUCTION CONTRACTS

As of June 30, 2020, the City had the following commitments with respect to unfinished construction—in-progress:

Project Name	Total Contract or Estimated Amount	Costs Incurred Through June 30, 2020	Estimated Cost to Complete
LF Office Building	\$ 543,408	\$ 311,588	\$ 231,820
Leachate Lift Station	215,830	55,830	160,000
Murdock	27,419	27,419	0
James	26,116	26,116	0
Alcoa Pkwy Water Ph 1	112,650	105,921	6,729
Alcoa Pkwy Water Ph 2	181,988	61,865	120,123
Alcoa Pkwy Sewer Ph 2	159,937	81,910	78,027
Alcoa Pkwy Water Ph 3	255,750	75,478	180,272
Alcoa Pkwy Sewer Ph 3	160,270	91,466	68,804
Marconi	11,049,866	914,415	10,135,451
Faraday	5,286,666	186,859	5,099,807
Pistol Creek Ph. IV	3,735,241	2,378,265	1,356,976
Hunter's Xing C&G	78,300	3,300	75,000
Louisville @ Hunt Cabinet	25,000	17,970	7,030
	<u>\$ 21,858,441</u>	<u>\$ 4,338,402</u>	<u>\$ 17,520,039</u>

NOTE 13 - LANDFILL OPERATIONS

(A) SOLID WASTE AUTHORITY

In accordance with the Solid Waste Management Act of 1989, the Solid Waste Authority was established. The Authority's eleven members, appointed by the Blount County Executive and the Mayors of Maryville and Alcoa, are comprised of the following representatives:

City of Alcoa	2
City of Maryville.....	2
Blount County.....	3
Citizens-At-Large	2
Private Hauler	1
Industrial.....	1

Expenditures of the Authority for management and a solid waste plan are paid by the City of Alcoa Landfill Fund and amounted to \$106,733 for the year ended June 30, 2020.

NOTE 13 - LANDFILL OPERATIONS

(B) LANDFILL CLOSURE AND POSTCLOSURE

Blount County, Tennessee and the Cities of Maryville and Alcoa are currently being served by one landfill area operated by the City. The existing landfill (Phase I) began operations in 1974 and was expanded in July 1986 and in April 1991. The original design and both expansions were based on a variation of an area landfill using the trench method to develop refuse filled cells.

State and Federal laws and regulations require the Landfill to place a final cover on its Phase I site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after the closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste (including Phase II in 1996 through Phase IV which will all interface with the existing Phase I Landfill), the Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$11,783,170 reported as landfill closure and postclosure care liability at June 30, 2020, represents the cumulative amount reported to date based on the use of twenty-eight (28%) percent of the estimated capacity of the Landfill. The city expects to close the Landfill site in 2025, under the current estimate. The City has permit extensions that will allow for an additional 35 years of use. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14 - JOINT VENTURES

In order to pool resources and share the costs, risks and rewards of providing services for the benefit of the general public, the City participates (has an on-going financial interest and financial responsibility) in the following joint ventures:

(A) EMERGENCY COMMUNICATIONS DISTRICT OF BLOUNT COUNTY

Pursuant to an agreement dated August 28, 1984, between the City of Alcoa, Blount County, and the City of Maryville, Tennessee, a Communications Center was established for the purpose of handling emergency calls for the three (3) governmental entities. Effective July 1, 1999, the Blount County Communications Center was combined with the Emergency Communications District of Blount County, a component unit of Blount County, Tennessee. The three (3) governmental entities participate in the funding of the District while exercising no direct control over the District.

The Emergency Communications District of Blount County is governed by nine (9) directors appointed by the Blount County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Blount County Board of County Commissioners. The District's Board employs coordinators and staff to conduct the daily business of the organization.

For the fiscal year ended June 30, 2020, the City of Alcoa, Tennessee contributed \$198,911 to the Blount County Emergency Communications District. Summary financial information, as required by generally accepted accounting principles, for the fiscal year ended June 30, 2019, the most recent fiscal year available, is presented below:

Operating Revenues	\$ 1,640,363
Operating Expenses	<u>2,291,716</u>
Operating Income (Loss)	(651,353)
Non-Operating Revenues	<u>743,275</u>
Change in Net Position	91,922
Net Position - July, 1 2018	<u>4,440,376</u>
Net Position - June 30, 2019	<u>\$ 4,532,298</u>
Total Assets	<u>\$ 5,642,150</u>
Deferred Outflows of Resources	<u>\$ 109,476</u>
Total Liabilities	<u>\$ 1,153,875</u>
Deferred Inflows of Resources	<u>\$ 65,453</u>
Net Position	<u>\$ 4,532,298</u>

The Emergency Communications District of Blount County issues a publicly available financial report. A report may be obtained by writing to the Blount County Communications District, P. O. Box 4609, Maryville, TN 37802.

NOTE 14 - JOINT VENTURES (Continued)

(B) RECREATION AND PARKS COMMISSION

Blount County, the City of Maryville, and the City of Alcoa jointly operate a recreation and parks system through a joint Recreation and Parks Commission. The Commission is composed of seven members, two of whom are appointed by the City of Alcoa Commission. Two members each are appointed by Blount County and the City of Maryville, Tennessee. One member is appointed by the joint commission. The City of Alcoa has control over budget and financing of the Commission only to the extent of representation by the two board members appointed.

For the fiscal year ended June 30, 2020, the City contributed \$566,556 to the Recreation and Parks Commission to fund operations. Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2019, is presented below:

Revenues	\$	3,011,931
Expenditures		<u>1,570,712</u>
Change in Net Position		1,441,219
Net Position - July, 1 2018		<u>1,611,649</u>
Net Position - June 30, 2019	\$	<u><u>3,052,868</u></u>
Total Assets	\$	<u><u>3,164,497</u></u>
Deferred Outflows of Resources	\$	<u><u>107,535</u></u>
Total Liabilities	\$	<u><u>209,468</u></u>
Deferred Inflows of Resources	\$	<u><u>9,696</u></u>
Net Position	\$	<u><u>3,052,868</u></u>

The Recreation and Parks Commission issues a publicly available financial report. A copy may be obtained by writing to Recreation and Parks Commission, 316 Everett High Road, Maryville, TN 37804.

(C) BLOUNT COUNTY CABLE TELEVISION AUTHORITY

The City of Alcoa, Blount County, and the City of Maryville, Tennessee jointly regulate the operation of cable television through the Blount County Cable Television Authority. The Authority is composed of nine (9) appointed members, three (3) of whom are appointed by the City of Alcoa Commission. The remaining six (6) members are appointed by Blount County and the City of Maryville. The Authority funds its budget through the collection of cable television franchise fees from companies under its jurisdiction. After payment of the Authority's expenses, the residual of those collections is remitted to the County and the two Cities based on point of collection.

Alcoa's share for the year ended June 30, 2020, amounted to \$71,833. Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2019 is presented below:

Revenues	\$	1,058,227
Expenditures		<u>23,945</u>
Excess of Revenue Over Expenditures Before		1,034,282
Franchise Fee Distributions		<u>1,033,444</u>
Franchise Fee Distributions to County and Cities		
Change in Net Position		838
Net Position - July, 1 2018		<u>18,912</u>
Net Position - June 30, 2019	\$	<u><u>19,750</u></u>
Total Assets	\$	<u><u>267,900</u></u>
Total Liabilities	\$	<u><u>248,150</u></u>
Net Position	\$	<u><u>19,750</u></u>

NOTE 14 - JOINT VENTURES (Continued)

(C) BLOUNT COUNTY CABLE TELEVISION AUTHORITY

No joint venture debt was reported on the financial statements of the Authority as of June 30, 2019.

The Blount County Cable Television Authority issues a publicly available financial report. A copy may be obtained by writing to Blount County Cable Television Authority, P. O. Box 4338, Maryville, TN 37802.

(D) INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee was organized pursuant to a resolution of the Blount County Quarterly Court in a special called session on September 30, 1969. A certificate of incorporation was received from the Secretary of State of the State of Tennessee dated October 1, 1969. The Industrial Development Board is governed by seven (7) directors. The purpose of the Industrial Development Board is to promote industrial development, provide additional job opportunities in Blount County, Tennessee and surrounding areas, and to exercise the authority and pursue the objectives of an industrial development corporation as provided for in Title 7, Chapter 53, of the Tennessee Code Annotated.

For the fiscal year ended June 30, 2020, the City contributed \$430,265 to the Industrial Development Board of Blount County.

Summary financial information, as required by accounting principles generally accepted in the United States of America, for the fiscal year ended June 30, 2019, the most recent fiscal year available, is presented below:

Revenues	\$ 2,872,459
Expenditures	<u>4,580,563</u>
Change in Net Position	(1,708,104)
Net Position - July, 1 2018	<u>37,197,165</u>
Net Position - June 30, 2019	<u>\$ 35,489,061</u>
Total Assets	<u>\$ 68,265,866</u>
Deferred Outflows of Resources	<u>\$ 1,067</u>
Total Liabilities	<u>\$ 32,777,814</u>
Deferred Inflows of Resources	<u>\$ 58</u>
Net Position	<u>\$ 35,489,061</u>

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee issues a publicly available report. A copy may be obtained by writing to Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, 201 S. Washington Street, Maryville, Tennessee 37804.

NOTE 15 - JOINT DEVELOPMENT OF INDUSTRIAL PARKS

(A) PARTNERSHIP PARK NORTH - PARTNERSHIP PARK SOUTH

Pursuant to an Intergovernmental Cooperation Agreement dated December 16, 1997, by and among the City of Maryville, Tennessee, the City of Alcoa, Tennessee, Blount County, Tennessee, and the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, the two (2) cities and Blount County agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as two (2) industrial parks. Such financial assistance is to be provided as follows: Blount County –40%; City of Maryville –30%; and City of Alcoa – 30%.

NOTE 15 - JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued)

(A) PARTNERSHIP PARK NORTH - PARTNERSHIP PARK SOUTH (Continued)

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the two (2) industrial parks – the Partnership Park South (Herron property) and the Partnership Park North (Burkhart property). Such overall control shall include the right to approve all sales of property in the Industrial Parks; approve all budgets related to the operation of the Industrial Parks; approve all capital improvements to the Industrial Parks; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Parks.

In addition to financial assistance provided to the Industrial Development Board by the City of Alcoa, the City of Maryville, and Blount County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Parks together with other receipts in connection with the operation, development, and maintenance of the Industrial Parks. Also, amounts equivalent to the property taxes received with respect to any property within either of the Industrial Parks is to be contributed to the Industrial Board.

(B) THE PELLISSIPPI RESEARCH CENTRE ON THE OAK RIDGE CORRIDOR

Pursuant to an Intergovernmental Cooperation Agreement dated May 2006 by and among the City of Alcoa, Tennessee; the City of Maryville, Tennessee; Blount County, Tennessee; Knox County, Tennessee; and the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, the two (2) cities and two (2) counties agreed to provide financial assistance to the Industrial Development Board in connection with the purchase of certain property and the development and operation of such property as a research and development industrial park. Such financial assistance is to be provided as follows: Blount County – 25%; Knox County – 25%; City of Maryville – 25%; and City of Alcoa – 25%.

Under the terms of the agreement, a joint operating committee, composed of one (1) representative from each of the parties to the agreement, shall have overall control of the industrial park. Such overall control shall include the right to approve all sales of property in the Industrial Park; approve all budgets related to the operation of the Industrial Park; approve all capital improvements to the Industrial Park; and approve all design guidelines, restrictive covenants, and management policies regarding the Industrial Park.

In addition to financial assistance provided to the Industrial Development Board by the City of Alcoa, the City of Maryville, Blount County and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Industrial Park together with other receipts in connection with the operation, development, and maintenance of the Industrial Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon the above percentages.

NOTE 16 - RISK FINANCING ACTIVITIES

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health and accident claims. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

The City maintains its funds with financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to at least 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Under this assessment agreement, public funds accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

NOTE 17 - PENDING LITIGATION

The City is involved in various litigations arising in the ordinary course of its operations. The City is vigorously defending each of the suits. The outcome of these suits is not presently determinable. However, management believes that if any suit results in an unfavorable outcome that its insurance coverage is sufficient to cover any judgment.

NOTE 18 - NET POSITION RESTATEMENT

Governmental Activities

Pursuant to the terms of the lease agreement in Note 7, the City has recorded a capital lease obligation for the Civic Arts Center. In the current fiscal year, the City determined that in addition to the capital lease obligation, the City has incorrectly recorded a portion of the bonds issued by the Industrial Development Board of Blount County. As a result, beginning net position reported in the government-wide activities has been restated to reflect an increase of \$6,190,000. In addition, the City determined that the capital leased asset recorded for the Civic Arts Center has been incorrectly amortized. As a result, beginning net position reported in the government-wide activities has been restated to reflect a decrease of \$3,855,758.

During the current fiscal year, it was determined that the other post-employment benefit liability, deferred outflows and deferred inflows of the School System were incorrectly recorded. This change resulted in an increase of \$1,192,711 in the other post-employment benefit liability, an increase of \$461,979 in deferred other post-employment benefit outflows and an increase of \$1,408,488 in deferred other post-employment benefit inflows. As a result, beginning net position reported in the government-wide activities has been restated to reflect a decrease of \$2,139,220.

	<u>Governmental Activities</u>
Net Position July 1, 2019	\$ 22,441,915
Restatement of Long-Term Debt	6,190,000
Restatement of Accumulated Capital Lease Amortization	(3,855,758)
Restatement of Other Post-Employment Benefit Liability	(1,192,711)
Restatement of Deferred Other Post-Employment Benefit Outflows	461,979
Restatement of Deferred Other Post-Employment Benefit Inflows	<u>(1,408,488)</u>
Restated Net Position, July 1, 2019	<u>\$ 22,636,937</u>

Business-Type Activities

During the current fiscal year, the City identified that the interest rate swap liability was incorrectly recorded in the Landfill Fund and should be recorded in the Water and Sewer Utility. This change resulted in an increase of the interest rate swap liability and deferred outflows of resources of \$3,236,392 reported in the Water & Sewer Fund and a decrease of the interest rate swap liability and deferred outflows of resources of \$3,236,392 reported in the Landfill Fund. The change had no effect on net position of the business-type activities, Water and Sewer Fund or the Landfill Fund.

NOTE 19 - SUBSEQUENT EVENTS

In November 2020, the City issued \$6,200,000 General Obligation Refunding Bonds, Series 2020B at a rate of 2.00% to 3.00%. The proceeds will be used to refund a portion of the 2008 Local Government Improvement Bonds, Series E-5-B. The City also issued \$4,815,000 General Obligation Bonds, Series 2020C at a rate of 0.30% to 1.85%. The proceeds of this issuance will be used for D-5-C/D-7-A swap termination.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF ALCOA

SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
EMPLOYEES' RETIREMENT PLAN OF THE CITY OF ALCOA

Fiscal Years Ended June 30

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 167,476	\$ 178,301	\$ 171,443	\$ 205,136	\$ 190,824	\$ 232,880
Interest	2,560,640	2,586,636	2,607,943	2,695,269	2,688,755	2,612,606
Changes in Benefit Terms	0	0	0	0	0	0
Differences between Actual and Expected Experience	0	219,890	0	117,353	0	547,119
Change of Assumptions	0	789,732	0	(1,221,352)	0	0
Benefit Payments, Including Refunds of Employee Contributions	(2,940,875)	(2,925,221)	(3,215,457)	(2,832,855)	(2,587,026)	(2,549,182)
Net Change in Total Pension Liability	(212,759)	849,338	(436,071)	(1,036,449)	292,553	843,423
Total Pension Liability - Beginning	36,622,132	35,772,794	36,208,865	37,245,314	36,952,761	36,109,338
Total Pension Liability - Ending (a)	<u>\$ 36,409,373</u>	<u>\$ 36,622,132</u>	<u>\$ 35,772,794</u>	<u>\$ 36,208,865</u>	<u>\$ 37,245,314</u>	<u>\$ 36,952,761</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,397,040	\$ 1,554,021	\$ 2,132,867	\$ 2,406,072	\$ 2,173,944	\$ 1,451,649
Contributions - Employee	0	0	0	0	0	0
Net Investment Income	1,865,151	2,062,113	2,634,609	802,129	693,555	2,612,615
Benefit Payments, Including Refunds of Employee Contributions	(2,940,875)	(2,925,221)	(3,215,457)	(2,832,855)	(2,587,026)	(2,549,182)
Administrative Expense	(48,597)	(25,732)	(41,329)	(83,979)	(73,003)	(75,650)
Net Change in Plan Fiduciary Net Position	272,719	665,181	1,510,690	291,367	207,470	1,439,432
Plan Fiduciary Net Position - Beginning	26,004,114	25,338,933	23,828,243	23,536,876	23,329,406	21,889,974
Plan Fiduciary Net Position - Ending (b)	<u>\$ 26,276,833</u>	<u>\$ 26,004,114</u>	<u>\$ 25,338,933</u>	<u>\$ 23,828,243</u>	<u>\$ 23,536,876</u>	<u>\$ 23,329,406</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 10,132,540</u>	<u>\$ 10,618,018</u>	<u>\$ 10,433,861</u>	<u>\$ 12,380,622</u>	<u>\$ 13,708,438</u>	<u>\$ 13,623,355</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.17%	71.01%	70.83%	65.81%	63.19%	63.13%
Covered Payroll	\$ 2,844,881	\$ 2,844,881	\$ 3,087,577	\$ 3,087,577	\$ 3,747,156	\$ 3,747,156
Net Pension Liability (Asset) as a Percentage of Covered Payroll	356.17%	373.23%	337.93%	400.98%	365.84%	363.57%

Notes: 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 ALCOA, TENNESSEE

**SCHEDULES OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
EMPLOYEES' RETIREMENT PLAN OF THE CITY OF ALCOA**

Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,397,037	\$ 1,512,242	\$ 1,512,242	\$ 1,445,037	\$ 1,445,037	\$ 1,427,703	\$ 1,427,703
Contribution in Relation to the Contractually Required Contribution	<u>1,512,265</u>	<u>1,397,040</u>	<u>1,554,021</u>	<u>2,132,867</u>	<u>2,406,072</u>	<u>2,173,944</u>	<u>1,451,649</u>
Contribution Deficiency (Excess)	<u>\$ (115,228)</u>	<u>\$ 115,202</u>	<u>\$ (41,779)</u>	<u>\$ (687,830)</u>	<u>\$ (961,035)</u>	<u>\$ (746,241)</u>	<u>\$ (23,946)</u>
Covered Payroll	\$ 2,469,096	\$ 2,844,881	\$ 2,844,881	\$ 3,087,577	\$ 3,087,577	\$ 3,747,156	\$ 3,747,156
Contributions as a percentage of Covered Payroll	61.25%	49.11%	54.63%	69.08%	77.93%	58.02%	38.74%

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

Notes:

Valuation Date:

Actuarially determined contribution rates for 2020 were calculated based on July 1, 2020 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Amortization method	Level dollar, closed (not to exceed 30 years)
Asset valuation	5 year smoothing of difference of expected value and market value
Inflation	4.0%
Salary increases	4.0% Annual Increase to Normal Retirement age, including inflation
Investment Rate of Return	7.25%, Net investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Retirement age	RP-2000 Mortality Tables, customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	None

CITY OF ALCOA
SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS
Fiscal Years Ended June 30

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 924,323	\$ 924,442	\$ 931,368	\$ 948,025	\$ 904,768	\$ 894,770
Interest	3,264,516	3,077,693	2,784,741	2,593,218	2,379,080	2,204,346
Changes in Benefit Terms	0	0	0	0	0	0
Differences between Actual and Expected Experience	382,156	(163,031)	1,792,558	(36,221)	361,622	(23,187)
Change of Assumptions	0	0	913,725	0	0	0
Benefit Payments, Including Refunds of Employee Contributions	(1,342,601)	(1,187,648)	(1,001,168)	(868,269)	(798,854)	(713,405)
Net Change in Total Pension Liability	3,228,394	2,654,456	5,421,224	2,636,753	2,846,616	2,362,524
Total Pension Liability - Beginning	44,774,781	42,120,325	36,699,101	34,062,348	31,215,732	28,853,208
Total Pension Liability - Ending (a)	<u>\$ 48,003,175</u>	<u>\$ 44,774,781</u>	<u>\$ 42,120,325</u>	<u>\$ 36,699,101</u>	<u>\$ 34,062,348</u>	<u>\$ 31,215,732</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,898,893	\$ 1,890,068	\$ 1,927,489	\$ 1,949,830	\$ 1,902,848	\$ 1,770,618
Contributions - Employee	0	0	0	0	0	0
Net Investment Income	3,176,264	3,222,720	3,870,902	855,389	931,379	4,154,442
Benefit Payments, Including Refunds of Employee Contributions	(1,342,601)	(1,187,648)	(1,001,168)	(868,269)	(798,854)	(713,405)
Administrative Expense	(18,790)	(20,690)	(18,845)	(18,410)	(12,952)	(10,211)
Net Change in Plan Fiduciary Net Position	3,713,766	3,904,450	4,778,378	1,918,540	2,022,421	5,201,444
Plan Fiduciary Net Position - Beginning	42,388,775	38,484,325	33,705,947	31,787,407	29,764,986	24,563,542
Plan Fiduciary Net Position - Ending (b)	<u>\$ 46,102,541</u>	<u>\$ 42,388,775</u>	<u>\$ 38,484,325</u>	<u>\$ 33,705,947</u>	<u>\$ 31,787,407</u>	<u>\$ 29,764,986</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 1,900,634</u>	<u>\$ 2,386,006</u>	<u>\$ 3,636,000</u>	<u>\$ 2,993,154</u>	<u>\$ 2,274,941</u>	<u>\$ 1,450,746</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.04%	94.67%	91.37%	91.84%	93.32%	95.35%
Covered Payroll	\$ 11,678,300	\$ 11,624,034	\$ 11,868,775	\$ 12,006,344	\$ 11,714,226	\$ 11,108,012
Net Pension Liability (Asset) as a Percentage of Covered Payroll	16.27%	20.53%	30.64%	24.93%	19.42%	13.06%

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

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. Please refer to previously supplied data from the TCRS GASB website for the prior years' data, if needed.

CITY OF ALCOA, TENNESSEE
SCHEDULES OF CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS
Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 1,874,761	\$ 1,898,893	\$ 1,890,067	\$ 1,927,489	\$ 1,949,830	\$ 1,902,848	\$ 1,770,618
Contributions in Relation to the Actuarially Determined Contribution	<u>1,874,761</u>	<u>1,898,893</u>	<u>1,890,067</u>	<u>1,927,489</u>	<u>1,949,830</u>	<u>1,902,848</u>	<u>1,770,618</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 11,851,101	\$ 11,678,300	\$ 11,624,034	\$ 11,868,775	\$ 12,006,344	\$ 11,714,226	\$ 11,108,012
Contributions as a Percentage of Covered Payroll	15.82%	16.26%	16.26%	16.24%	16.24%	16.24%	15.94%

Note: 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. Please refer to the previously supplied data from the TCRS GASB website for prior years' data, if needed.

Notes:

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2019 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period:	Varies by Year
Asset Valuation:	10-year smoothed within a 20.0% corridor to market value
Inflation	2.5%
Salary Increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.
Cost of Living Adjustments	2.25%

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

CITY OF ALCOA, TENNESSEE
SCHEDULES OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS HYBRID WITHOUT COST CONTROLS
Fiscal Years Ended June 30

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 150,708	\$ 111,940	\$ 64,876	\$ 6,951	\$ 3,019
Interest	37,099	21,355	8,868	803	226
Changes in Benefit Terms	0	0	0	0	0
Differences between Actual and Expected Experience	58,780	45,099	51,643	41,847	515
Change of Assumptions	0	0	3,866	0	0
Benefit Payments, Including Refunds of Employee Contributions	0	0	0	0	0
Net Change in Total Pension Liability	246,587	178,394	129,253	49,601	3,760
Total Pension Liability - Beginning	361,008	182,614	53,361	3,760	0
Total Pension Liability - Ending (a)	\$ 607,595	\$ 361,008	\$ 182,614	\$ 53,361	\$ 3,760
Plan Fiduciary Net Position					
Contributions - Employer	\$ 207,800	\$ 154,071	\$ 113,677	\$ 53,225	\$ 3,019
Contributions - Employee	0	0	0	0	0
Net Investment Income	32,996	20,678	12,384	750	29
Benefit Payments, Including Refunds of Employee Contributions	0	0	0	0	0
Administrative Expense	(8,300)	(6,905)	(4,811)	(2,639)	(89)
Net Change in Plan Fiduciary Net Position	232,496	167,844	121,250	51,336	2,959
Plan Fiduciary Net Position - Beginning	343,389	175,545	54,295	2,959	0
Plan Fiduciary Net Position - Ending (b)	\$ 575,885	\$ 343,389	\$ 175,545	\$ 54,295	\$ 2,959
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 31,710	\$ 17,619	\$ 7,069	\$ (934)	\$ 801
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.78%	95.12%	96.13%	101.75%	78.70%
Covered Payroll	\$ 3,639,234	\$ 2,674,836	\$ 1,891,468	\$ 902,111	\$ 51,170
Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.87%	0.66%	0.37%	-0.10%	1.57%

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

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. Please refer to previously supplied data from the TCRS GASB website for the prior years' data, if needed.

CITY OF ALCOA, TENNESSEE
SCHEDULES OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS HYBRID WITHOUT COST CONTROLS
Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 261,484	\$ 207,800	\$ 154,071	\$ 113,677	\$ 53,225	\$ 3,019
Contribution in Relation to the Contractually Required Contribution	<u>261,484</u>	<u>207,800</u>	<u>154,071</u>	<u>113,677</u>	<u>53,225</u>	<u>3,019</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 4,492,849	\$ 3,639,234	\$ 2,674,836	\$ 1,891,468	\$ 902,111	\$ 51,170
Contributions as a Percentage of Covered Payroll	5.82%	5.71%	5.76%	6.01%	5.90%	5.90%

Note: 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. Please refer to the previously supplied data from the TCRS GASB website for prior years' data, if needed.

Notes:

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2019 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period:	Varies by Year
Asset Valuation:	10-year smoothed within a 20.0% corridor to market value
Inflation	2.5%
Salary Increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	7.25%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement.
Cost of Living Adjustments	2.25%

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

CITY OF ALCOA, TENNESSEE
SCHEDULES OF ALCOA CITY SCHOOLS'
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
TEACHER LEGACY RETIREMENT PLAN OF TCRS

Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Alcoa City Schools' Proportion of the Net Pension Liability (Asset)	0.289842%	0.275366%	0.261150%	0.246955%	0.232672%	0.221788%
Alcoa City Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ (2,980,102)	\$ (968,987)	\$ (85,446)	\$ 1,543,334	\$ 95,310	\$ (36,040)
Alcoa City Schools' Covered Payroll	\$ 9,718,827	\$ 9,642,402	\$ 9,234,536	\$ 8,914,911	\$ 8,710,070	\$ 8,705,181
Alcoa City Schools' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-30.66%	-10.05%	-0.93%	17.31%	1.09%	-0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.28%	101.49%	100.14%	97.14%	99.81%	100.08%

Note: 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. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

CITY OF ALCOA, TENNESSEE
SCHEDULES OF ALCOA CITY SCHOOLS' CONTRIBUTIONS
TEACHER LEGACY RETIREMENT PLAN OF TCRS
Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,075,125	\$ 1,016,590	\$ 875,530	\$ 834,530	\$ 805,879	\$ 787,391	\$ 773,020
Contribution in Relation to the Contractually Required Contribution	<u>1,075,125</u>	<u>1,016,590</u>	<u>875,530</u>	<u>834,530</u>	<u>805,879</u>	<u>787,391</u>	<u>773,020</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Alcoa City Schools' Covered Payroll	\$ 10,420,185	\$ 9,718,827	\$ 9,642,402	\$ 9,234,536	\$ 8,914,611	\$ 8,710,070	\$ 8,705,181
Contributions as a percentage of Alcoa City Schools' Covered Payroll	10.32%	10.46%	9.08%	9.04%	9.04%	9.04%	8.88%

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

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

CITY OF ALCOA, TENNESSEE
SCHEDULES OF ALCOA CITY SCHOOLS'
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER HYBRID RETIREMENT OF TCRS
Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Alcoa City Schools' Proportion of the Net Pension Liability (Asset)	0.089544%	0.093047%	0.099622%	0.056086%	0.026702%
Alcoa City Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ (50,546)	\$ (42,199)	\$ (26,284)	\$ (5,839)	\$ (1,074)
Alcoa City Schools' Covered Payroll	\$ 947,556	\$ 813,117	\$ 650,860	\$ 246,776	\$ 55,480
Alcoa City Schools' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-5.33%	-5.19%	-4.04%	-2.37%	-1.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	123.07%	126.97%	126.81%	121.88%	127.46%

Note: 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 ALCOA, TENNESSEE
SCHEDULES OF ALCOA CITY SCHOOLS' CONTRIBUTIONS
TEACHER HYBRID RETIREMENT PLAN OF TCRS
Fiscal Years Ended June 30

	<u>2020*</u>	<u>2019**</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 22,666	\$ 18,383	\$ 13,260	\$ 26,154	\$ 6,177	\$ 1,387
Contribution in Relation to the Contractually Required Contribution	<u>22,666</u>	<u>18,383</u>	<u>32,525</u>	<u>26,154</u>	<u>9,871</u>	<u>2,219</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (19,265)</u>	<u>\$ 0</u>	<u>\$ (3,694)</u>	<u>\$ (832)</u>
Alcoa City Schools' Covered Payroll	\$ 1,116,539	\$ 947,556	\$ 813,117	\$ 650,860	\$ 246,776	\$ 55,480
Contributions as a percentage of Alcoa City Schools' Covered Payroll	2.03%	1.94%	4.00%	4.02%	4.00%	4.00%

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

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

* In FY 2020 the Alcoa City Schools placed the actuarially determined contribution rate of 2.03% of covered payroll into the pension plan and placed 1.97% of covered payroll into the Pension Stabilization Reserve Trust.

** In FY 2019 the Alcoa City Schools placed the actuarially determined contribution rate of 1.94% of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

CITY OF ALCOA, TENNESSEE

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
CITY PLAN

Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 127,360	\$ 121,295	\$ 115,519
Interest	130,338	171,434	174,257
Changes in Benefit Terms	0	0	0
Experiences Losses (Gains)	(401,439)	0	0
Change in Assumptions	1,008,795	0	0
Benefit Payments	<u>(413,592)</u>	<u>(382,956)</u>	<u>(354,589)</u>
Net Change in Total OPEB Liability	451,462	(90,227)	(64,813)
Total OPEB Liability - Beginning	<u>5,478,987</u>	<u>5,569,214</u>	<u>5,634,027</u>
Total OPEB Liability - Ending	<u>\$ 5,930,449</u>	<u>\$ 5,478,987</u>	<u>\$ 5,569,214</u>
Covered Payroll	\$ 11,058,546	\$ 11,983,656	\$ 11,522,746
Total OPEB Liability (Asset) as a Percentage of Covered Payroll	53.6%	45.7%	48.3%

Note: There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

CITY OF ALCOA, TENNESSEE

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SCHOOL SYSTEM

Fiscal Years Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 296,908	\$ 332,787	\$ 359,136
Interest	181,590	228,550	189,004
Changes in Benefit Terms	630,540	(79,273)	0
Differences Between Expected and Actual Experience	802,344	(1,806,470)	0
Changes of Assumptions	(436,740)	238,191	(293,130)
Benefit Payments	<u>(267,700)</u>	<u>(294,894)</u>	<u>(270,806)</u>
Net Change in Total OPEB Liability	1,206,942	(1,381,109)	(15,796)
Total OPEB Liability - Beginning	<u>4,852,042</u>	<u>6,233,201</u>	<u>6,248,997</u>
Total OPEB Liability - Ending	<u><u>\$ 6,058,984</u></u>	<u><u>\$ 4,852,092</u></u>	<u><u>\$ 6,233,201</u></u>
Nonemployer Contributing Entities Proportionate Share of the Collective Total OPEB Liability	\$ 1,475,956	\$ 1,187,712	\$ 1,633,498
Employer's Proportionate Share of the Collective Total OPEB Liability	\$ 4,583,028	\$ 3,664,330	\$ 4,599,703
Covered Payroll	\$ 11,242,690	\$ 10,883,282	\$ 10,566,293
Employer's Proportionate Share of Collective Total OPEB Liability as a Percentage of Covered-Employee Payroll	40.8%	33.7%	43.5%

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

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

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET
Non-Major Governmental Funds
June 30, 2020

	Special Revenue Funds						Total Special Revenue Funds
	State Street Aid	Federal Projects	Alcoa City Schools Cafeteria	Alcoa Schools Extended Day Program	Drug Fund	Commercial Motor Vehicle Fines	
ASSETS							
Cash and Cash Equivalents	\$ 582,696	\$ 0	\$ 126,121	\$ 404,911	\$ 67,035	\$ 6,156	\$ 1,186,919
Accounts Receivable	0	15,309	3,512	15,284	0	0	34,105
Due From grantors, other governments, and State of Tennessee	49,803	12,685	0	0	0	0	62,488
Total Assets	<u>\$ 632,499</u>	<u>\$ 27,994</u>	<u>\$ 129,633</u>	<u>\$ 420,195</u>	<u>\$ 67,035</u>	<u>\$ 6,156</u>	<u>\$ 1,283,512</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 10,038	\$ 30,957	\$ 16,537	\$ 4,150	\$ 0	\$ 0	\$ 61,682
Other Liabilities	0	587	0	4,000	0	0	4,587
Total Liabilities	<u>10,038</u>	<u>31,544</u>	<u>16,537</u>	<u>8,150</u>	<u>0</u>	<u>0</u>	<u>66,269</u>
Fund Balances							
Restricted	622,461	0	0	0	67,035	6,156	695,652
Committed	0	0	113,096	412,045	0	0	525,141
Assigned	0	0	0	0	0	0	0
Unassigned	0	(3,550)	0	0	0	0	(3,550)
Total Fund Balances	<u>622,461</u>	<u>(3,550)</u>	<u>113,096</u>	<u>412,045</u>	<u>67,035</u>	<u>6,156</u>	<u>1,217,243</u>
Total Liabilities and Fund Balances	<u>\$ 632,499</u>	<u>\$ 27,994</u>	<u>\$ 129,633</u>	<u>\$ 420,195</u>	<u>\$ 67,035</u>	<u>\$ 6,156</u>	<u>\$ 1,283,512</u>

CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET (Continued)

Non-Major Governmental Funds

June 30, 2020

	Capital Project Funds				
	Capital Projects	Equipment Replacement	Home Grant Program	Landscaping	General Obligation Public Works Construction
ASSETS					
Cash and Cash Equivalents	\$ 282,352	\$ 370,462	\$ 1,039	\$ 173,724	\$ 541,439
Accounts Receivable	0	0	0	0	314,763
Due from Grantors, Other Governments, and State of Tennessee	0	0	0	0	130,305
Total Assets	<u>\$ 282,352</u>	<u>\$ 370,462</u>	<u>\$ 1,039</u>	<u>\$ 173,724</u>	<u>\$ 986,507</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 19,139	\$ 0	\$ 0	\$ 3,498	\$ 529,791
Other Liabilities	0	0	0	0	0
Total Liabilities	<u>19,139</u>	<u>0</u>	<u>0</u>	<u>3,498</u>	<u>529,791</u>
Fund Balances					
Restricted	263,213	0		170,226	456,716
Committed	0	0	0	0	0
Assigned	0	370,462	1,039	0	0
Unassigned	0	0	0	0	0
Total Fund Balances	<u>263,213</u>	<u>370,462</u>	<u>1,039</u>	<u>170,226</u>	<u>456,716</u>
Total Liabilities and Fund Balances	<u>\$ 282,352</u>	<u>\$ 370,462</u>	<u>\$ 1,039</u>	<u>\$ 173,724</u>	<u>\$ 986,507</u>

CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET (Continued)
Non-Major Governmental Funds
June 30, 2020

	Capital Project Funds				Total Capital Project Funds	Total Non-Major Governmental Funds
	Legacy	West Plant Construction	AIS Construction	ADA Improvement		
ASSETS						
Cash and Cash Equivalents	\$ 25,997	\$ 6,731,322	\$ 196	\$ 68,981	\$ 8,195,512	\$ 9,382,431
Accounts Receivable	0	0	0	0	314,763	348,868
Due from grantors, other governments, and State of Tennessee	0	0	0	0	130,305	192,793
Total Assets	<u>\$ 25,997</u>	<u>\$ 6,731,322</u>	<u>\$ 196</u>	<u>\$ 68,981</u>	<u>\$ 8,640,580</u>	<u>\$ 9,924,092</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 0	\$ 110,153	\$ 0	\$ 21,220	\$ 683,801	\$ 745,483
Other Liabilities	0	0	0	0	0	4,587
Total Liabilities	<u>0</u>	<u>110,153</u>	<u>0</u>	<u>21,220</u>	<u>683,801</u>	<u>750,070</u>
Fund Balances						
Restricted	0	6,621,169	196	47,761	7,559,281	8,254,933
Committed	0	0	0	0	0	525,141
Assigned	25,997	0	0	0	397,498	397,498
Unassigned	0	0	0	0	0	(3,550)
Total Fund Balances	<u>25,997</u>	<u>6,621,169</u>	<u>196</u>	<u>47,761</u>	<u>7,956,779</u>	<u>9,174,022</u>
Total Liabilities and Fund Balances	<u>\$ 25,997</u>	<u>\$ 6,731,322</u>	<u>\$ 196</u>	<u>\$ 68,981</u>	<u>\$ 8,640,580</u>	<u>\$ 9,924,092</u>

CITY OF ALCOA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds						Total Special Revenue Funds
	State Street Aid	Federal Projects	Alcoa City Schools Cafeteria	Alcoa Schools Extended Day Program	Drug	Commercial Motor Vehicle Fines	
Revenues							
State Gasoline Tax	\$ 300,266	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,266
Federal and State Grants	0	748,177	0	0	0	0	748,177
U.S.D.A Reimbursements	0	0	513,828	0	0	0	513,828
Charges for Services	0	0	579,854	186,094	0	0	765,948
Fines, Forfeitures and Court Cases	0	0	0	0	11,987	625	12,612
Interest Income	5,659	0	0	2,398	523	34	8,614
Total Revenues	<u>305,925</u>	<u>748,177</u>	<u>1,093,682</u>	<u>188,492</u>	<u>12,510</u>	<u>659</u>	<u>2,349,445</u>
Expenditures							
Current							
Public Safety	0	0	0	0	17,918	0	17,918
Public Works	571,055	0	0	0	0	0	571,055
Education	0	751,727	1,109,680	181,052	0	0	2,042,459
Capital Outlay	0	0	0	0	86,226	0	86,226
Total Expenditures	<u>571,055</u>	<u>751,727</u>	<u>1,109,680</u>	<u>181,052</u>	<u>104,144</u>	<u>0</u>	<u>2,717,658</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(265,130)</u>	<u>(3,550)</u>	<u>(15,998)</u>	<u>7,440</u>	<u>(91,634)</u>	<u>659</u>	<u>(368,213)</u>
Other Financing Sources (Uses)							
Transfers In	0	0	20,000	0	0	0	20,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>
Net Change in Fund Balance	<u>(265,130)</u>	<u>(3,550)</u>	<u>4,002</u>	<u>7,440</u>	<u>(91,634)</u>	<u>659</u>	<u>(348,213)</u>
Fund Balance, July 1st	<u>887,591</u>	<u>0</u>	<u>109,094</u>	<u>404,605</u>	<u>158,669</u>	<u>5,497</u>	<u>1,565,456</u>
Fund Balance, June 30th	<u>\$ 622,461</u>	<u>\$ (3,550)</u>	<u>\$ 113,096</u>	<u>\$ 412,045</u>	<u>\$ 67,035</u>	<u>\$ 6,156</u>	<u>\$ 1,217,243</u>

CITY OF ALCOA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)

Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Capital Project Funds				
	Capital Projects	Equipment Replacement	Home Grant Program	Landscaping	General Obligation Public Works Construction
Revenues					
Intergovernmental	\$ 870,085	\$ 0	\$ 0	\$ 0	\$ 0
Federal and State Grants	0	0	0	0	2,376,621
Charges for Services	0	0	0	75,983	0
Interest Income	1,120	2,252	0	658	1,314
Total Revenues	<u>871,205</u>	<u>2,252</u>	<u>0</u>	<u>76,641</u>	<u>2,377,935</u>
Expenditures					
Current					
Public Works	0	0	0	0	18,948
Capital Outlay	602,200	248,556	0	3,499	3,837,643
Total Expenditures	<u>602,200</u>	<u>248,556</u>	<u>0</u>	<u>3,499</u>	<u>3,856,591</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>269,005</u>	<u>(246,304)</u>	<u>0</u>	<u>73,142</u>	<u>(1,478,656)</u>
Other Financing Sources (Uses)					
Transfers In	0	200,000	0	0	825,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>825,000</u>
Net Change in Fund Balance	269,005	(46,304)	0	73,142	(653,656)
Fund Balance, July 1st	<u>(5,792)</u>	<u>416,766</u>	<u>1,039</u>	<u>97,084</u>	<u>1,110,372</u>
Fund Balance, June 30th	<u>\$ 263,213</u>	<u>\$ 370,462</u>	<u>\$ 1,039</u>	<u>\$ 170,226</u>	<u>\$ 456,716</u>

CITY OF ALCOA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2020

	Capital Project Funds				Total Capital Project Funds	Total Non-Major Governmental Funds
	Legacy	West Plant Construction	AIS Construction	ADA Improvement		
Revenues						
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 870,085	\$ 870,085
State Gasoline Tax	0	0	0	0	0	300,266
Federal and State Grants	0	62,040	0	0	2,438,661	3,186,838
U.S.D.A Reimbursements	0	0	0	0	0	513,828
Charges for Services	0	0	0	0	75,983	841,931
Fines, Forfeitures and Court Cases	0	0	0	0	0	12,612
Miscellaneous Income	20,000	0	0	395	20,395	20,395
Interest Income	0	5,956	0	0	11,300	19,914
Total Revenues	20,000	67,996	0	395	3,416,424	5,765,869
Expenditures						
Current						
Public Safety	0	0	0	0	0	17,918
Public Works	0	0	0	0	18,948	590,003
Education	0	0	0	0	0	2,042,459
Capital Outlay	27,000	298,020	839	27,634	5,045,391	5,131,617
Total Expenditures	27,000	298,020	839	27,634	5,064,339	7,781,997
Net Change in Fund Balances Before Other Financing Sources (Uses)	(7,000)	(230,024)	(839)	(27,239)	(1,647,915)	(2,016,128)
Other Financing Sources (Uses)						
Transfers In	0	75,000	839	75,000	1,175,839	1,195,839
Transfers Out	0	(650,000)	0	0	(650,000)	(650,000)
Total Other Financing Sources (Uses)	0	(575,000)	839	75,000	525,839	545,839
Net Change in Fund Balance	(7,000)	(805,024)	0	47,761	(1,122,076)	(1,470,289)
Fund Balance, July 1st	32,997	7,426,193	196	0	9,078,855	10,644,311
Fund Balance, June 30th	\$ 25,997	\$ 6,621,169	\$ 196	\$ 47,761	\$ 7,956,779	\$ 9,174,022

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other governmental operating units on a cost-reimbursed basis.

Employee Insurance Fund – The Employee Insurance Fund is used to account for the City’s self-insured health insurance program. Premiums charged to various operating funds and employee payroll deductions are placed in this fund for the payment of medical claims and administrative expenses.

Service Center Fund – The Service Center Fund is used to account for the operation of the City’s physical facilities. Charges collected from various City funds are placed in this fund for the payment of operating expenses associated with the City’s physical facilities.

Flexible Spending Fund – The Flexible Spending Fund is a fund used to account for the City’s employees for setting aside a certain amount of each paycheck (before income tax) and to later get reimbursed for other medical expenses not covered by insurance.

City OPEB Insurance Fund – The OPEB Insurance Fund is a dedicated reserve used to account for the City’s liability for postemployment benefits – medical benefits not associated with a pension plan.

Schools OPEB Insurance Fund – The OPEB Insurance Fund is a dedicated reserve used to account for the School System’s liability for postemployment benefits – medical benefits not associated with a pension plan.

CITY OF ALCOA, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2020

	<u>Employee Insurance Fund</u>	<u>Flexible Spending Fund</u>	<u>Service Center Fund</u>	<u>City OPEB Insurance Fund</u>	<u>School's OPEB Insurance Fund</u>	<u>Total Internal Service Funds</u>
ASSETS						
Current Assets						
Cash	\$ 2,255,276	\$ 12,995	\$ 17,789	\$ 705,000	\$ 740,000	\$ 3,731,060
Total Current Assets	<u>2,255,276</u>	<u>12,995</u>	<u>17,789</u>	<u>705,000</u>	<u>740,000</u>	<u>3,731,060</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts Payable	21,055	0	17,789	0	0	38,844
Medical Claims Payable	<u>707,457</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>707,457</u>
Total Current Liabilities	<u>728,512</u>	<u>0</u>	<u>17,789</u>	<u>0</u>	<u>0</u>	<u>746,301</u>
Net Position						
Unrestricted	<u>1,526,764</u>	<u>12,995</u>	<u>0</u>	<u>705,000</u>	<u>740,000</u>	<u>2,984,759</u>
Total Net Position	<u>\$ 1,526,764</u>	<u>\$ 12,995</u>	<u>\$ 0</u>	<u>\$ 705,000</u>	<u>\$ 740,000</u>	<u>\$ 2,984,759</u>

CITY OF ALCOA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2020

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	School's OPEB Insurance Fund	Total Internal Service Funds
OPERATING REVENUES						
Insurance Charges	\$ 5,241,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,241,299
Refunds - Co-Insurance	487,733	0	0	0	0	487,733
Employee Contributions	354,410	221,841	0	0	0	576,251
Employer Contributions	0	0	0	65,000	68,500	133,500
Service Center Charges	0	0	318,822	0	0	318,822
Total Operating Revenues	<u>6,083,442</u>	<u>221,841</u>	<u>318,822</u>	<u>65,000</u>	<u>68,500</u>	<u>6,757,605</u>
OPERATING EXPENSES						
Salaries	0	0	45,406	0	0	45,406
Fringe Benefits	0	0	20,196	0	0	20,196
Building Improvements	0	0	14,928	0	0	14,928
Improvement Teams/Training	0	0	463	0	0	463
Maintenance Contracts	0	0	20,535	0	0	20,535
Contract Services	0	0	11,832	0	0	11,832
Utilities	0	0	141,969	0	0	141,969
Supplies	0	0	10,225	0	0	10,225
Repair and Maintenance	0	0	53,268	0	0	53,268
Insurance Claims Paid	3,780,224	215,880	0	0	0	3,996,104
Insurance Premiums and Administrative Expenses	1,618,535	0	0	0	0	1,618,535
Total Operating Expenses	<u>5,398,759</u>	<u>215,880</u>	<u>318,822</u>	<u>0</u>	<u>0</u>	<u>5,933,461</u>
OPERATING INCOME (LOSS)	684,683	5,961	0	65,000	68,500	824,144
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	7,014	0	0	0	0	7,014
CHANGE IN NET POSITION	691,697	5,961	0	65,000	68,500	831,158
NET POSITION - July 1st	<u>835,067</u>	<u>7,034</u>	<u>0</u>	<u>640,000</u>	<u>671,500</u>	<u>2,153,601</u>
NET POSITION - June 30th	<u>\$ 1,526,764</u>	<u>\$ 12,995</u>	<u>\$ 0</u>	<u>\$ 705,000</u>	<u>\$ 740,000</u>	<u>\$ 2,984,759</u>

CITY OF ALCOA, TENNESSEE
COMBINING CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2020

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	School's OPEB Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Insurance Premiums/Reimbursements Collected	\$ 6,110,893	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,110,893
Collections from Various City Departments	0	221,841	318,822	65,000	68,500	674,163
Payments to Employees and Vendors	(5,379,367)	(215,880)	(332,378)	0	0	(5,927,625)
Net Cash Provided By (Used In)						
Operating Activities	731,526	5,961	(13,556)	65,000	68,500	857,431
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Income	7,014	0	0	0	0	7,014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	738,540	5,961	(13,556)	65,000	68,500	864,445
CASH AND CASH EQUIVALENTS - July 1st	1,516,736	7,034	31,345	640,000	671,500	2,866,615
CASH AND CASH EQUIVALENTS - June 30th	\$ <u>2,255,276</u>	\$ <u>12,995</u>	\$ <u>17,789</u>	\$ <u>705,000</u>	\$ <u>740,000</u>	\$ <u>3,731,060</u>

CITY OF ALCOA, TENNESSEE
COMBINING CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2020

	<u>Insurance Fund</u>	<u>Flexible Spending Fund</u>	<u>Service Center Fund</u>	<u>City OPEB Insurance Fund</u>	<u>School's OPEB Insurance Fund</u>	<u>Total Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPEARTING ACTIVITIES						
Operating Income (loss)	\$ 684,683	\$ 5,961	\$ 0	\$ 65,000	\$ 68,500	\$ 824,144
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Expenses:						
Changes in Assets and Liabilities:						
Prepaid Insurance	27,451	0	0	0	0	27,451
Accounts Payable	(1,752)	0	(13,556)	0	0	(15,308)
Medical Claims Payable	21,144	0	0	0	0	21,144
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 731,526</u>	<u>\$ 5,961</u>	<u>\$ (13,556)</u>	<u>\$ 65,000</u>	<u>\$ 68,500</u>	<u>\$ 857,431</u>

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020			Variance with Final Budget - Positive (Negative)	Totals 2019
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Taxes:					
Property Taxes	\$ 9,122,420	\$ 9,122,420	\$ 9,406,154	\$ 283,734	\$ 6,400,032
Local Option Sales Taxes	10,500,000	10,500,000	10,421,624	(78,376)	10,283,408
Other Taxes	2,972,825	2,972,825	3,218,173	245,348	3,131,563
Licenses and Permits	134,500	134,500	133,231	(1,269)	139,599
Fines and Forfeits	438,000	438,000	318,630	(119,370)	342,354
Intergovernmental:					
Unrestricted:					
State Taxes	1,337,925	1,337,925	1,340,540	2,615	1,282,081
Restricted:					
Federal Grants	171,400	171,400	148,782	(22,618)	85,434
State Grants	16,000	16,000	23,273	7,273	17,243
Other State Revenues	45,000	45,000	58,400	13,400	44,400
Other Local Revenues	120,000	120,000	131,045	11,045	161,930
Interest Income	35,000	35,000	55,566	20,566	64,355
Public Works, Labor, and Material	492,500	492,500	456,961	(35,539)	491,766
Miscellaneous	130,000	130,000	124,481	(5,519)	20,457
Property Rental	152,450	152,450	143,794	(8,656)	142,336
Department Services	180,000	180,000	250,605	70,605	215,483
Fees Development	27,000	27,000	34,267	7,267	32,435
Insurance Refunds	20,000	20,000	5,050	(14,950)	31,014
Sale of Property/Equipment	25,000	25,000	17,965	(7,035)	3,274
Private Grants	18,500	18,500	55,175	36,675	29,090
TML Grants	0	0	7,235	7,235	10,985
City Development Proceeds	0	0	0	0	277,354
Contributions and Donations - Business	110,400	110,400	135,325	24,925	29,487
Total Revenues	26,048,920	26,048,920	26,486,276	437,356	23,236,080
Expenses:					
General Government	2,889,795	2,889,795	2,719,864	169,931	2,657,641
Public Works	5,184,130	5,184,130	4,813,377	370,753	4,687,601
Public Safety	10,277,810	10,277,810	9,911,410	366,400	9,983,291
Economic Development	2,502,865	2,502,865	2,353,303	149,562	2,473,773
Total Expenditures	20,854,600	20,854,600	19,797,954	1,056,646	19,802,306
Net Change in Fund Balance Before					
Other Financing Sources (Uses)	5,194,320	5,194,320	6,688,322	1,494,002	3,433,774
Other Financing Sources (Uses)					
Operating Transfers In (Out):					
Payments in Lieu of Taxes - Business-Type Activities	1,618,300	1,618,300	2,042,775	424,475	1,535,975
Debt Service Fund	(5,800,000)	(5,800,000)	(5,800,000)	0	(5,500,000)
Education Fund	(170,000)	(170,000)	(170,000)	0	(912,323)
Capital Projects	(525,000)	(525,000)	(525,000)	0	(346,500)
Total Other Financing Sources (Uses)	(4,876,700)	(4,876,700)	(4,452,225)	424,475	(5,222,848)
Net Change in Fund Balance	317,620	317,620	2,236,097	1,918,477	(1,789,074)
Fund Balance, July 1st	6,518,099	6,518,099	6,518,099	0	8,307,173
Fund Balance, June 30th	\$ 6,835,719	\$ 6,835,719	\$ 8,754,196	\$ 1,918,477	\$ 6,518,099

EDUCATION FUND

The Education Fund is used to account for the general operations of the Alcoa City Schools. Major funding for the Education Fund is provided by State education funds, shared revenues provided by Blount County and transfer of property tax revenue from the General Fund. The Education Fund is presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
EDUCATION FUND - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Totals 2019
	Original	Final			
Revenues					
Taxes:					
Property Taxes	\$ 8,438,000	\$ 8,438,000	\$ 8,447,266	\$ 9,266	\$ 8,282,737
Local Option Sales Taxes	3,339,000	3,339,000	3,325,928	(13,072)	3,193,601
Other Taxes	36,000	36,000	38,335	2,335	53,137
Licenses, Permits and Fees	386,900	386,900	358,210	(28,690)	371,444
Intergovernmental:					
Unrestricted:					
State Taxes	91,000	91,000	102,276	11,276	108,855
Restricted:					
Federal Grants	685,000	685,000	799,599	114,599	4,412
Other State Revenues	9,366,700	9,366,700	9,420,201	53,501	9,286,893
Other Local Revenues	52,400	52,400	63,939	11,539	71,857
Interest Income	0	0	4,117	4,117	3,543
Total Revenues	<u>22,395,000</u>	<u>22,395,000</u>	<u>22,559,871</u>	<u>164,871</u>	<u>21,376,479</u>
Expenditures					
Instruction Elementary/Secondary	11,735,979	11,735,979	11,723,118	12,861	11,515,085
Special Education Program	1,636,829	1,636,829	1,589,863	46,966	1,558,586
Vocational Education	449,699	449,699	470,245	(20,546)	422,563
Health Services	295,572	295,572	288,797	6,775	242,388
Other Student Support	813,112	813,112	764,280	48,832	598,826
Instruction Regular	555,347	555,347	540,204	15,143	589,014
Technology	693,114	693,114	618,416	74,698	613,487
Board of Education	354,874	354,874	318,928	35,946	305,470
Office of the Director	181,779	181,779	199,666	(17,887)	169,359
Office of Principals	1,596,572	1,596,572	1,562,876	33,696	1,552,877
Fiscal Services	196,019	196,019	151,392	44,627	147,966
Human Services	191,467	191,467	188,567	2,900	183,491
Operation of Plant	1,767,604	1,767,604	1,661,212	106,392	1,678,085
Maintenance of Plant	805,060	805,060	871,153	(66,093)	926,281
Transportation	371,372	371,372	347,740	23,632	279,915
Food Services	665,650	665,650	810,342	(144,692)	601
Family Resource Center	79,749	79,749	95,742	(15,993)	76,631
Lottery Pre-K	255,202	255,202	249,222	5,980	268,402
Capital Outlay	20,000	20,000	0	20,000	0
Total Expenditures	<u>22,665,000</u>	<u>22,665,000</u>	<u>22,451,763</u>	<u>213,237</u>	<u>21,129,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(270,000)</u>	<u>(270,000)</u>	<u>108,108</u>	<u>378,108</u>	<u>247,452</u>
Other Financing Sources (Uses)					
Transfer to AIS Construction Fund	0	0	(20,839)	(20,839)	(350,000)
Transfer from General Fund	170,000	170,000	170,000	0	170,000
Other Financing Sources (Uses) Total	<u>170,000</u>	<u>170,000</u>	<u>149,161</u>	<u>(20,839)</u>	<u>(180,000)</u>
Net Change in Fund Balance	(100,000)	(100,000)	257,269	357,269	67,452
Fund Balance, July 1st	<u>981,411</u>	<u>981,411</u>	<u>981,411</u>	<u>0</u>	<u>913,959</u>
Fund Balance, June 30th	<u>\$ 881,411</u>	<u>\$ 881,411</u>	<u>\$ 1,238,680</u>	<u>\$ 357,269</u>	<u>\$ 981,411</u>

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt not being accounted for in the Enterprise Funds.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Totals 2019
	Original	Final			
Revenues					
Interest Income	\$ 140,000	\$ 140,000	\$ 200,594	\$ 60,594	\$ 167,135
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>200,594</u>	<u>60,594</u>	<u>167,135</u>
Expenditures					
Bond/Capital Outlay Note Redemptions	3,271,000	3,271,000	3,270,000	1,000	3,215,000
Interest charges	<u>2,586,605</u>	<u>2,586,605</u>	<u>2,467,217</u>	<u>119,388</u>	<u>2,248,871</u>
Total Expenditures	<u>5,857,605</u>	<u>5,857,605</u>	<u>5,737,217</u>	<u>120,388</u>	<u>5,463,871</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(5,717,605)</u>	<u>(5,717,605)</u>	<u>(5,536,623)</u>	<u>180,982</u>	<u>(5,296,736)</u>
Other Financing Sources (Uses)					
Refunding Bonds Issues	0	29,305,000	25,925,000	3,380,000	0
Premium on Refunding Bonds	0	0	3,109,118	(3,109,118)	0
Bond Issuance Costs	0	(511,526)	(440,036)	(71,490)	0
Payoff to Refunded Bond Escrow Agent	0	(28,793,474)	(28,594,082)	(199,392)	0
Transfers In	<u>5,800,000</u>	<u>5,800,000</u>	<u>5,800,000</u>	<u>0</u>	<u>5,500,000</u>
Total Other Financing Sources (Uses)	<u>5,800,000</u>	<u>5,800,000</u>	<u>5,800,000</u>	<u>0</u>	<u>5,500,000</u>
Net Change in Fund Balance	82,395	82,395	263,377	180,982	203,264
Fund Balance, July 1st	<u>1,384,747</u>	<u>1,384,747</u>	<u>1,384,747</u>	<u>0</u>	<u>1,181,483</u>
Fund Balance, June 30th	<u>\$ 1,467,142</u>	<u>\$ 1,467,142</u>	<u>\$ 1,648,124</u>	<u>\$ 180,982</u>	<u>\$ 1,384,747</u>

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

State Street Aid Fund – The State Street Aid Fund is used to account for the State gasoline tax. Proceeds of this tax must be expended for the improvement and maintenance of City streets.

Federal Projects Fund – The Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Extended Day Program – The Extended Day Program Fund is used to account for the revenues (primarily fees) and expenditures of the before – and – after school program at the elementary school.

Alcoa City Schools Cafeteria Fund – The Alcoa City Schools Cafeteria Fund is used to account for the operations of all cafeterias in the School System. Revenues are provided primarily by the sale of meals (breakfasts, lunches, and a la carte items) and reimbursements from the United States Department of Agriculture (USDA).

Drug Fund – The Drug Fund is used to account for revenues (primarily drug related fines) which must be expended on drug enforcement operations of the City.

Commercial Motor Vehicle Fine Fund – The Commercial Motor Vehicle Fund is used to account for commercial motor vehicle fines and related expenditures.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

STATE STREET AID – SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
State Gasoline Tax	\$ 325,300	\$ 325,300	\$ 300,266	\$ (25,034)	\$ 296,719
Sale Of Equipment	0	0	0	0	8,075
Investment Income	8,000	8,000	5,659	(2,341)	7,692
Total Revenues	<u>333,300</u>	<u>333,300</u>	<u>305,925</u>	<u>(27,375)</u>	<u>312,486</u>
Expenditures					
Streets:					
Resurfacing/Striping	585,000	585,000	570,039	14,961	227,712
Traffic Signal Maintenance	65,000	65,000	0	65,000	18,293
Other Equipment and Vehicles	0	0	1,016	(1,016)	3,299
Snow Removal	15,000	15,000	0	15,000	0
Total Expenditures	<u>665,000</u>	<u>665,000</u>	<u>571,055</u>	<u>93,945</u>	<u>249,304</u>
Net Change in Fund Balance	(331,700)	(331,700)	(265,130)	66,570	63,182
Fund Balance, July 1st	<u>887,591</u>	<u>887,591</u>	<u>887,591</u>	<u>0</u>	<u>824,409</u>
Fund Balance, June 30th	<u>\$ 555,891</u>	<u>\$ 555,891</u>	<u>\$ 622,461</u>	<u>\$ 66,570</u>	<u>\$ 887,591</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS - SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Monies Received Through the State of Tennessee	\$ 946,114	\$ 946,114	\$ 748,177	\$ (197,937)	\$ 843,249
Expenditures					
Salaries and Related Costs	591,610	591,610	566,360	25,250	668,018
Staff Development and Travel	100,629	100,629	64,923	35,706	41,816
Contracted Services	65,000	65,000	38,150	26,850	34,929
Materials and Supplies	120,979	120,979	36,936	84,043	42,678
Equipment	66,514	66,514	45,199	21,315	51,967
Evaluation and Testing	1,382	1,382	159	1,223	3,841
Total Expenditures	<u>946,114</u>	<u>946,114</u>	<u>751,727</u>	<u>194,387</u>	<u>843,249</u>
Net Change in Fund Balance	0	0	(3,550)	(3,550)	0
Fund Balance, July 1st	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30th	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,550)</u>	<u>\$ (3,550)</u>	<u>\$ 0</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALCOA CITY SCHOOLS CAFETERIA FUND - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Totals 2019
	Original	Final			
Revenues					
Lunch and Breakfast Payments - Children	\$ 240,850	\$ 240,850	\$ 187,218	\$ (53,632)	\$ 239,379
Lunch and Breakfast Payments - Adults	13,000	13,000	5,672	(7,328)	6,900
USDA Reimbursements	665,000	665,000	513,828	(151,172)	641,714
Milk Sales	1,000	1,000	777	(223)	611
A la carte and Other Income	144,150	144,150	386,187	242,037	123,952
Total Revenues	<u>1,064,000</u>	<u>1,064,000</u>	<u>1,093,682</u>	<u>29,682</u>	<u>1,012,556</u>
Expenditures					
Food	510,000	510,000	550,424	(40,424)	492,794
Labor	485,000	485,000	545,858	(60,858)	465,560
Transportation	4,000	4,000	3,829	171	3,937
Ice Cream and Other Expenses	65,000	65,000	9,569	55,431	16,180
Total Expenditures	<u>1,064,000</u>	<u>1,064,000</u>	<u>1,109,680</u>	<u>(45,680)</u>	<u>978,471</u>
Net Change in Fund Balance					
Before Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(15,998)</u>	<u>(15,998)</u>	<u>34,085</u>
Other Financing Sources (Uses)					
Transfers In	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Net Change in Fund Balance	0	0	4,002	4,002	34,085
Fund Balance, July 1st	<u>109,094</u>	<u>109,094</u>	<u>109,094</u>	<u>0</u>	<u>75,009</u>
Fund Balance, June 30th	<u>\$ 109,094</u>	<u>\$ 109,094</u>	<u>\$ 113,096</u>	<u>\$ 4,002</u>	<u>\$ 109,094</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
ALCOA SCHOOLS EXTENDED DAY PROGRAM – SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Totals 2019
	Original	Final			
Revenues					
Fees	\$ 270,000	\$ 270,000	\$ 186,094	\$ (83,906)	\$ 271,629
Interest Income	0	0	2,398	2,398	2,503
Total Revenues	<u>270,000</u>	<u>270,000</u>	<u>188,492</u>	<u>(81,508)</u>	<u>274,132</u>
Expenditures					
Salaries	171,165	171,165	133,367	37,798	148,563
Fringe Benefits	35,318	35,318	23,541	11,777	24,182
Supplies and Food	12,000	12,000	2,858	9,142	9,418
Other Charges	51,517	51,517	21,286	30,231	21,176
Total Expenditures	<u>270,000</u>	<u>270,000</u>	<u>181,052</u>	<u>88,948</u>	<u>203,339</u>
Net Change in Fund Balance	0	0	7,440	7,440	70,793
Fund Balance, July 1st	<u>404,605</u>	<u>404,605</u>	<u>404,605</u>	<u>0</u>	<u>333,812</u>
Fund Balance, June 30th	<u>\$ 404,605</u>	<u>\$ 404,605</u>	<u>\$ 412,045</u>	<u>\$ 7,440</u>	<u>\$ 404,605</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

DRUG FUND - SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Fines and Forfeits:					
DVD Sales	\$ 0	\$ 0	\$ 750	\$ 750	\$ 90
Interest	1,000	1,000	523	(477)	1,090
Drug Control and Seizure	18,000	18,000	11,237	(6,763)	34,669
Total Revenues	<u>19,000</u>	<u>19,000</u>	<u>12,510</u>	<u>(6,490)</u>	<u>35,849</u>
Expenditures					
Public Safety	18,090	18,090	17,918	(172)	0
Capital Outlay	151,350	151,350	86,226	65,124	4,144
Total Expenditures	<u>169,440</u>	<u>169,440</u>	<u>104,144</u>	<u>64,952</u>	<u>4,144</u>
Net Change in Fund Balance	(150,440)	(150,440)	(91,634)	58,462	31,705
Fund Balance, July 1st	<u>158,669</u>	<u>158,669</u>	<u>158,669</u>	<u>0</u>	<u>126,964</u>
Fund Balance, June 30th	<u><u>\$ 8,229</u></u>	<u><u>\$ 8,229</u></u>	<u><u>\$ 67,035</u></u>	<u><u>\$ 58,462</u></u>	<u><u>\$ 158,669</u></u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMERCIAL MOTOR VEHICLES FINES FUND – SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Fines, Forfeitures and Court Cases	\$ 0	\$ 0	\$ 625	\$ 625	\$ 785
Interest Income	0	0	34	34	44
Total Revenues	<u>0</u>	<u>0</u>	<u>659</u>	<u>659</u>	<u>829</u>
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	659	659	829
Fund Balance, July 1st	<u>5,497</u>	<u>5,497</u>	<u>5,497</u>	<u>0</u>	<u>4,668</u>
Fund Balance, June 30th	<u>\$ 5,497</u>	<u>\$ 5,497</u>	<u>\$ 6,156</u>	<u>\$ 659</u>	<u>\$ 5,497</u>

NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities and equipment and for public works improvement projects other than those financed by proprietary funds.

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition of equipment.

Equipment Replacement Fund – The Equipment Replacement Fund is used to account for the acquisition of equipment.

Home Grant Program Fund – The Home Grant Program Fund is used to account for improvements for low income residents.

Landscaping Fund – The Landscaping Fund is used to account for improvements to landscaping areas of the city.

General Obligation Public Works Fund – The General Obligation Public Works Fund is used to account for public works construction and improvements.

Legacy Fund – The Legacy Fund is used to account for expenditures incurred in the renovation of schools within the Alcoa City School system.

West Plant Construction Fund – The West Plant Construction Fund is used to account for funding sources, including bond proceeds, Tennessee Department of Transportation grants and General Fund appropriation and associated expenditures incurred in conjunction with infrastructure construction relating to the West Plant re-development project.

Alcoa Intermediate School Construction Fund – The Alcoa Intermediate School Construction Fund is used to account for expenditures incurred for the construction of new schools.

ADA Improvement Fund – The ADA Improvement Fund is used to account for expenditures incurred for the construction of ADA improvements.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND

For the Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Intergovernmental	\$ 870,090	\$ 870,090	\$ 870,085	\$ (5)	\$ 237,192
Interest Income	0	0	1,120	1,120	0
Total Revenues	870,090	870,090	871,205	1,115	237,192
Expenditures					
Capital Outlay	870,090	870,090	602,200	267,890	309,162
Total Expenditures	870,090	870,090	602,200	267,890	309,162
Net Change in Fund Balance	0	0	269,005	269,005	(71,970)
Fund Balance, July 1st	(5,792)	(5,792)	(5,792)	0	66,178
Fund Balance, June 30th	\$ (5,792)	\$ (5,792)	\$ 263,213	\$ 269,005	\$ (5,792)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND – CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Interest on Investments	\$ 0	\$ 0	\$ 2,252	\$ 2,252	\$ 3,064
Expenditures					
Public Works	0	0	0	0	22,549
Capital Outlay	249,000	249,000	248,556	444	1,120,963
Total Expenditures	<u>249,000</u>	<u>249,000</u>	<u>248,556</u>	<u>444</u>	<u>1,143,512</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(249,000)</u>	<u>(249,000)</u>	<u>(246,304)</u>	<u>2,696</u>	<u>(1,140,448)</u>
Other Financing Sources (Uses):					
Transfers In	200,000	200,000	200,000	0	96,500
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>	<u>96,500</u>
Net Change in Fund Balance	(49,000)	(49,000)	(46,304)	2,696	(1,043,948)
Fund Balance, July 1st	<u>416,766</u>	<u>416,766</u>	<u>416,766</u>	<u>0</u>	<u>1,460,714</u>
Fund Balance, June 30th	<u>\$ 367,766</u>	<u>\$ 367,766</u>	<u>\$ 370,462</u>	<u>\$ 2,696</u>	<u>\$ 416,766</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
HOME GRANT PROGRAM FUND – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	<u>June 30, 2020</u>				<u>Totals 2019</u>
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
Revenues					
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures					
Total Expenditures	0	0	0	0	0
Net Change in Fund Balance	0	0	0	0	0
Fund Balance, July 1st	1,039	1,039	1,039	0	1,039
Fund Balance, June 30th	\$ 1,039	\$ 1,039	\$ 1,039	\$ 0	\$ 1,039

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LANDSCAPING FUND – CAPITAL PROJECTS FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Totals 2019
	Original	Final			
Revenues					
Charges for Services	\$ 12,000	\$ 12,000	\$ 75,983	\$ 63,983	\$ 13,729
Interest Income	1,000	1,000	658	(342)	774
Total Revenues	<u>13,000</u>	<u>13,000</u>	<u>76,641</u>	<u>63,641</u>	<u>14,503</u>
Expenditures					
Landscaping Projects	27,000	27,000	0	27,000	0
Sidewalk Projects	20,000	20,000	3,499	16,501	0
Greenway Projects	23,000	23,000	0	23,000	0
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>3,499</u>	<u>66,501</u>	<u>0</u>
Net Change in Fund Balance	(57,000)	(57,000)	73,142	(2,860)	14,503
Fund Balance, July 1st	<u>97,084</u>	<u>97,084</u>	<u>97,084</u>	<u>0</u>	<u>82,581</u>
Fund Balance, June 30th	<u>\$ 40,084</u>	<u>\$ 40,084</u>	<u>\$ 170,226</u>	<u>\$ (2,860)</u>	<u>\$ 97,084</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL OBLIGATION PUBLIC WORKS CONSTRUCTION – CAPITAL PROJECTS FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Federal and State Grants	\$ 3,760,242	\$ 3,760,242	\$ 2,376,621	\$ (1,383,621)	\$ 284,648
Interest Income	0	0	1,314	1,314	4,534
Total Revenues	<u>3,760,242</u>	<u>3,760,242</u>	<u>2,377,935</u>	<u>(1,382,307)</u>	<u>289,182</u>
Expenditures					
Public Works	5,500	5,500	18,948	(13,448)	79,053
Capital Outlay	5,110,944	5,110,944	3,837,643	1,273,301	547,171
Total Expenditures	<u>5,116,444</u>	<u>5,116,444</u>	<u>3,856,591</u>	<u>1,259,853</u>	<u>626,224</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(1,356,202)</u>	<u>(1,356,202)</u>	<u>(1,478,656)</u>	<u>(122,454)</u>	<u>(337,042)</u>
Other Financing Sources (Uses)					
Transfer from General Fund	175,000	175,000	825,000	650,000	250,000
Total Other Financing Sources	<u>175,000</u>	<u>175,000</u>	<u>825,000</u>	<u>650,000</u>	<u>250,000</u>
Net Change in Fund Balance	(1,181,202)	(1,181,202)	(653,656)	527,546	(87,042)
Fund Balance, July 1st	<u>1,110,372</u>	<u>1,110,372</u>	<u>1,110,372</u>	<u>0</u>	<u>1,197,414</u>
Fund Balance, June 30th	<u><u>\$ (70,830)</u></u>	<u><u>\$ (70,830)</u></u>	<u><u>\$ 456,716</u></u>	<u><u>\$ 527,546</u></u>	<u><u>\$ 1,110,372</u></u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LEGACY FUND – CAPITAL PROJECTS FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Totals 2019
	Original	Final			
Revenues					
Donations	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0	\$ 22,790
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>22,790</u>
Expenditures					
Capital Outlay	20,000	20,000	27,000	(7,000)	87,454
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>27,000</u>	<u>(7,000)</u>	<u>87,454</u>
Net Change in Fund Balance	0	0	(7,000)	7,000	(64,664)
Fund Balance, July 1st	<u>32,997</u>	<u>32,997</u>	<u>32,997</u>	<u>0</u>	<u>97,661</u>
Fund Balance, June 30th	<u>\$ 32,997</u>	<u>\$ 32,997</u>	<u>\$ 25,997</u>	<u>\$ 7,000</u>	<u>\$ 32,997</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
WEST PLANT CONSTRUCTION FUND – CAPITAL PROJECTS FUND

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Federak and State Grants	\$ 8,378,380	\$ 8,378,380	\$ 62,040	\$ (8,316,340)	\$ 68
Interest Income	0	0	5,956	5,956	4,596
Total Revenues	<u>8,378,380</u>	<u>8,378,380</u>	<u>67,996</u>	<u>(8,310,384)</u>	<u>4,664</u>
Expenditures					
Public Works	0	0	0	0	298,087
Capital Outlay	15,810,941	15,810,941	298,020	15,512,921	757,716
Total Expenditures	<u>15,810,941</u>	<u>15,810,941</u>	<u>298,020</u>	<u>15,512,921</u>	<u>1,055,803</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(7,432,561)</u>	<u>(7,432,561)</u>	<u>(230,024)</u>	<u>7,202,537</u>	<u>(1,051,139)</u>
Other Financing Sources (Uses)					
Transfers In	75,000	75,000	75,000	0	0
Transfers Out	0	0	(650,000)	(650,000)	0
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>75,000</u>	<u>(575,000)</u>	<u>(650,000)</u>	<u>0</u>
Net Change in Fund Balance	(7,357,561)	(7,357,561)	(805,024)	6,552,537	(1,051,139)
Fund Balance, July 1st	<u>7,426,193</u>	<u>7,426,193</u>	<u>7,426,193</u>	<u>0</u>	<u>8,477,332</u>
Fund Balance, June 30th	<u>\$ 68,632</u>	<u>\$ 68,632</u>	<u>\$ 6,621,169</u>	<u>\$ 6,552,537</u>	<u>\$ 7,426,193</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
ADA IMPROVEMENT – CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
ADA Improvements	\$ 0	\$ 0	\$ 395	\$ 395	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>395</u>	<u>395</u>	<u>0</u>
Expenditures					
Capital Outlay	75,000	75,000	27,634	47,366	0
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>27,634</u>	<u>47,366</u>	<u>0</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	(75,000)	(75,000)	(27,239)	47,761	0
Other Financing Sources (Uses)					
Transfers-In	75,000	75,000	75,000	0	0
Net Change in Fund Balance	0	0	47,761	47,761	0
Fund Balance, July 1st	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30th	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 47,761</u></u>	<u><u>\$ 47,761</u></u>	<u><u>\$ 0</u></u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

ALCOA INTERMEDIATE SCHOOL (AIS) CONSTRUCTION – CAPITAL PROJECTS FUND

For the Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	June 30, 2020				Totals 2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures					
Construction Project	0	0	839	(839)	1,092,323
Total Expenditures	<u>0</u>	<u>0</u>	<u>839</u>	<u>(839)</u>	<u>1,092,323</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	0	0	(839)	(839)	(1,092,323)
Other Financing Sources (Uses)					
Transfers from Other Funds	0	0	839	839	1,092,519
Net Change in Fund Balance	0	0	0	0	196
Fund Balance, July 1st	<u>196</u>	<u>196</u>	<u>196</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30th	<u>\$ 196</u>	<u>\$ 196</u>	<u>\$ 196</u>	<u>\$ 0</u>	<u>\$ 196</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Stormwater Utility Fund – The Stormwater Utility Fund is used to account for the operations of the City's stormwater systems and is presented as a major fund in the basic financial statements.

Water and Sewer Utility Fund – The Water and Sewer Utility Fund is used to account for the operations of the City's water and sewer system. The Water and Sewer Fund is presented as a major fund in the basic financial statements.

Electric Utility Fund – The Electric Utility Fund is used to account for the operations of the City's electric system. The Electric Utility Fund is presented as a major fund in the basic financial statements.

Landfill Fund – The Landfill Fund is used to account for the operation by the City of the Blount County Landfill. The Landfill Fund is presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,017,719	\$ 828,065
Accounts Receivable	110,356	112,083
Total Current Assets	1,128,075	940,148
Capital Assets		
Structures, Improvements and Equipment	2,407,489	2,044,051
Less: Accumulated Depreciation	(729,049)	(632,394)
Net Capital Assets	1,678,440	1,411,657
Total Assets	2,806,515	2,351,805
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	142,841	153,613
Deferred Other Post Employment Benefits Outflows	24,502	0
Total Deferred Outflows of Resources	167,343	153,613
LIABILITIES		
Current Liabilities		
Accounts Payable	16,432	14,418
Other Accrued Liabilities	22,719	19,544
Compensated Absences	35,962	40,844
Total Current Liabilities	75,113	74,806
Long-Term Liabilities		
Net Pension Liability	114,222	129,639
Other Post-Employment Benefits Liability	180,047	208,562
Total Long-Term Liabilities	294,269	338,201
Total Liabilities	369,382	413,007
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	20,311	24,507
Deferred Other Post Employment Benefits Inflows	9,750	0
Total Deferred Inflows of Resources	30,061	24,507
NET POSITION		
Net Investment in Capital Assets	1,678,440	1,411,658
Unrestricted	895,975	656,246
Total Net Position	\$ 2,574,415	\$ 2,067,904

CITY OF ALCOA, TENNESSEE
STORMWATER UTILITY FUND - ENTERPRISE FUND
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-Type Activities	
	2020	2019
OPERATING REVENUES		
Residential Sales	\$ 223,305	\$ 216,440
Commercial/Industrial Sales	1,110,118	1,102,230
Total Operating Revenue	1,333,423	1,318,670
OPERATING EXPENSES		
Administrative and General	441,738	370,400
Operations and Maintenance	550,041	664,697
Street Cleaning	101,310	122,065
Depreciation	96,655	110,486
Total Operating Expenses	1,189,744	1,267,648
OPERATING INCOME	143,679	51,022
NONOPERATING REVENUES (EXPENSES)		
Interest Income	5,800	6,545
Other Income	254	100
Total Nonoperating Revenues (Expenses)	6,054	6,645
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS AND TRANSFERS	149,733	57,667
CONTRIBUTIONS AND TRANSFERS		
Capital Contributions	73,900	0
Transfer of Capital Assets	282,878	1,107,817
Total Contributions and Transfers	356,778	1,107,817
CHANGE IN NET POSITION	506,511	1,165,484
NET POSTION, July 1st	2,067,904	902,420
NET POSITION, June 30th	\$ 2,574,415	\$ 2,067,904

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 9,964,544	\$ 7,595,048
Accounts Receivable	1,400,034	1,311,500
Materials and Supplies	1,105,385	1,104,395
Other Current Assets	46,918	28,233
Due from Other Funds	35,443	66,317
Total Current Assets	12,552,324	10,105,493
Capital Assets		
Land and Easements	1,194,236	1,194,236
Construction in Progress	470,155	342,900
Structures, Improvements and Equipment	94,565,052	92,700,440
	96,229,443	94,237,576
Less: Accumulated Depreciation	(36,338,849)	(33,539,498)
Net Capital Assets	59,890,594	60,698,078
Other Noncurrent Assets		
Regulatory Asset - Debt Issuance Cost	0	232,399
Total Assets	72,442,918	71,035,970
DEFERRED OUTFLOW OF RESOURCES		
Deferred Pension Outflows	951,476	897,437
Deferred Other Post Employment Benefits Outflows	93,297	0
Deferred Bond Refunding Costs	445,200	466,400
Accumulated Change in Fair Value of Hedging Derivatives	7,602,232	5,616,816
Total Deferred Outflow of Resources	9,092,205	6,980,653

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION (Continued)

For the Year Ended June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 389,833	\$ 398,867
Other Accrued Liabilities	123,392	113,233
Current Portion of Long-Term Debt	1,771,923	1,561,686
Compensated Absences	247,904	264,504
Total Current Liabilities	2,533,052	2,338,290
Long-Term Liabilities		
Long-Term Debt	42,885,000	44,642,693
Derivatives - Interest Rate Swap	7,602,232	5,616,816
Net Pension Liability	1,600,346	1,753,018
Other Post-Employment Benefits Liability	685,585	646,881
Total Long-Term Liabilities	52,773,163	52,659,408
Total Liabilities	55,306,215	54,997,698
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	270,677	162,167
Deferred Other Post Employment Benefits Inflows	37,126	0
Total Deferred Inflows of Resources	307,803	162,167
NET POSITION		
Net Investment in Capital Assets	15,667,221	14,493,698
Unrestricted	10,253,884	8,363,060
Total Net Position	\$ 25,921,105	\$ 22,856,758

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND - ENTERPRISE FUND
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-Type Activities	
	2020	2019
OPERATING REVENUES		
Retail Water Sales	\$ 5,794,864	\$ 5,611,455
Wholesale Water Sales	998,042	1,202,977
Wholesale Water Sales - Arconic	1,632,060	1,485,604
Sewer Charges	6,956,752	5,774,347
Penalties	191,426	228,923
Sewer Taps	54,340	62,355
Connections	156,775	144,830
Fire Hydrant Rental	36,397	38,150
Line Extension	31,200	0
Miscellaneous	20,444	21,141
Total Operating Revenues	15,872,300	14,569,782
OPERATING EXPENSES		
Administration and General	844,736	898,152
Accounting and Collections	1,134,675	953,069
Supervision	625,248	693,264
Water Treatment Plant	1,573,688	1,551,368
Environmental Compliance	116,332	89,415
Transmission and Distribution	753,234	836,563
Meter Readings and Repairs	371,303	301,947
Maintenance	328,286	295,064
Sewer Collection and Pumping	752,473	682,502
Disposal	2,157,115	2,129,209
Deprecation	2,820,140	2,557,063
Total Operating Expenses	11,477,230	10,987,616
OPERATING INCOME	4,395,070	3,582,166
NONOPERATING REVENUES (EXPENSES)		
Other Income	3,216	16,310
Other Expense	(24,992)	(36,536)
Interest Income	62,677	67,739
Interest Expense	(1,652,090)	(1,733,441)
Gain on Sale of Property and Equipment	10,438	8,189
Debt Issuance Costs	(44,049)	0
Total Nonoperating Revenues (Expenses)	(1,644,800)	(1,677,739)
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS AND TRANSFERS	2,750,270	1,904,427
CONTRIBUTIONS AND TRANSFERS		
Transfer of Capital Assets	0	2,760,643
Transfer in Lieu of Taxes	(400,000)	(400,000)
Capital Contributions	714,077	193,093
Total Contributions and Transfers	314,077	2,553,736
CHANGE IN NET POSITION	3,064,347	4,458,163
NET POSITION, July 1st	22,856,758	18,398,595
NET POSITION, June 30th	\$ 25,921,105	\$ 22,856,758

CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 6,133,508	\$ 6,411,646
Accounts receivable less provision for doubtful accounts of \$324,459 at June 30, 2020 and \$314,476 at June 30, 2019	3,720,905	4,417,481
Accounts Receivable - Pole Rentals	362,210	390,838
Materials and Supplies	1,437,412	1,394,154
Prepaid TVA Power Invoice Program	3,408,911	4,093,387
Total Current Assets	15,062,946	16,707,506
Capital Assets		
Land and Easements	1,260,996	1,260,996
Construction in Progress	1,660,543	1,423,166
Structures, Improvements and Equipment	93,821,979	91,594,339
	96,743,518	94,278,501
Less: Accumulated Depreciation	(44,579,232)	(42,034,996)
Net Capital Assets	52,164,286	52,243,505
Other Noncurrent Assets		
Other Receivables	165,912	0
Receivables from Customers for Conservation Loans	594,822	841,079
Regulatory Asset - Debt Issuance Costs	290,252	316,639
Total Other Noncurrent Assets	1,050,986	1,157,718
Total Noncurrent Assets	53,215,272	53,401,223
Total Assets	68,278,218	70,108,729
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	1,494,660	1,584,510
Deferred Other Post Employment Benefits Outflows	223,460	0
Total Deferred Outflows of Resources	\$ 1,718,120	\$ 1,584,510

CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION (Continued)

For the Year Ended June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 8,189,968	\$ 9,730,966
Due to other Funds	45,453	66,317
Customer Deposits	2,561,670	2,518,189
Other Accrued Liabilities	429,957	261,247
Current Portion of Long-Term Debt	985,000	930,000
Compensated Absences	520,598	447,340
Total Current Liabilities	12,732,646	13,954,059
Long-Term Liabilities		
Long-Term Debt	12,300,000	13,285,000
Unearned Credits	303,208	292,590
Conservation -TVA	619,027	892,408
Net Pension Liability	3,608,823	3,868,337
Other Post-Employment Benefit Liability	1,642,079	1,408,009
Total Long-Term Liabilities	18,473,137	19,746,344
Total Liabilities	31,205,783	33,700,403
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Outflows	309,382	316,708
Deferred Other Post Employment Benefits Outflows	88,923	0
Total Deferred Inflows of Resources	398,305	316,708
NET POSITION		
Net Investment in Capital Assets	38,794,341	38,028,506
Unrestricted	(402,091)	(352,378)
Total Net Position	\$ 38,392,250	\$ 37,676,128

CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY FUND - ENTERPRISE FUND
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-Type Activities	
	2020	2019
OPERATING REVENUES		
Sale of Electric Energy:		
Residential - Non-Farm	\$ 41,896,652	\$ 42,526,095
Small Lighting and Power Sales	5,898,069	6,002,078
Large Lighting and Power Sales	16,629,253	17,664,739
Street and Outdoor Lighting	1,198,689	1,141,480
Consumer Forfeited Discounts	375,331	450,286
Rents and Other Services	1,344,889	1,687,011
Total Operating Revenues	67,342,883	69,471,689
OPERATING EXPENSES		
Purchased Power	49,544,537	52,459,507
Distribution	2,165,824	1,975,289
Customer Accounts, Services and Sales	2,142,033	1,673,292
Administrative and General	3,300,630	3,480,870
Depreciation	3,145,626	3,195,556
Maintenance Expense:		
Transmission	178,763	126,328
Distribution	4,245,499	4,125,984
Administrative and General	33,931	40,034
Total Operating Expenses	64,756,843	67,076,860
OPERATING INCOME	2,586,040	2,394,829
NONOPERATING EXPENSES		
Interest Income	39,384	83,120
Interest Expense	(269,346)	(426,451)
Other Income	2,819	2,650
Net Nonoperating Revenues (Expenses)	(227,143)	(340,681)
INCOME BEFORE TRANSFERS	2,358,897	2,054,148
CONTRIBUTIONS AND TRANSFERS		
Transfer in Lieu of Tax	(1,642,775)	(1,135,975)
Payment to County	0	(329,799)
Total Contributions and Transfers	(1,642,775)	(1,465,774)
CHANGE IN NET POSITION	716,122	588,374
NET POSTION, July 1st	37,676,128	37,087,754
NET POSITION, June 30th	\$ 38,392,250	\$ 37,676,128

CITY OF ALCOA, TENNESSEE
LANDFILL FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,299,141	\$ 2,198,977
Accounts Receivable, Net	388,559	527,328
Other Current Assets	0	26,727
Due from Other Funds	14	0
Total Current Assets	3,687,714	2,753,032
Capital Assets		
Land and Easements	1,299,149	1,299,149
Construction in Progress	367,388	0
Structures, Improvements and Equipment	14,319,458	14,202,209
	15,985,995	15,501,358
Less: Accumulated Depreciation	(11,898,738)	(11,193,963)
Net Capital Assets	4,087,257	4,307,395
Other Noncurrent Assets		
Cash Held for Long-Term Purposes	11,741,242	11,125,734
Total Assets	19,516,213	18,186,161
DEFERRED OUTFLOW OF RESOURCES		
Deferred Pension Outflows	342,289	344,128
Deferred Other Post Employment Benefits Outflows	63,526	0
Total Deferred Outflows of Resources	405,815	344,128

CITY OF ALCOA, TENNESSEE
LANDFILL FUND - ENTERPRISE FUND
STATEMENT OF NET POSITION (Continued)

June 30, 2020
With Comparative Totals at June 30, 2019

	Business-Type Activities	
	2020	2019
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 282,346	\$ 102,091
Due to Other Funds	0	653
Other Accrued Liabilities	45,950	38,064
Current Portion of Long-Term Debt	770,000	783,161
Compensated Absences	93,402	85,059
Total Current Liabilities	1,191,698	1,009,028
Long-Term Liabilities		
Long-Term Debt	775,000	1,545,000
Reserve for Closure and Post-Closure Costs	11,783,170	11,100,385
Net Pension Liability	534,574	586,976
Other Post-Employment Benefits Liability	466,813	432,750
Total Long-Term Liabilities	13,559,557	13,665,111
Total Liabilities	14,751,255	14,674,139
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	78,164	56,320
Deferred Other Post Employment Benefits Inflows	25,279	0
Deferred Bond Refunding Costs	33,333	50,000
Total Deferred Inflows of Resources	136,776	106,320
NET POSITION		
Net Investment in Capital Assets	2,339,350	1,929,234
Unrestricted	2,694,647	1,820,596
Total Net Position	\$ 5,033,997	\$ 3,749,830

CITY OF ALCOA, TENNESSEE
LANDFILL FUND - ENTERPRISE FUND
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	Business-Type Activities	
	2020	2019
OPERATING REVENUES		
Fees and Permits	\$ 5,191,417	\$ 4,817,427
OPERATING EXPENSES		
Administration and General	591,958	517,687
Landfill Operations	961,322	825,653
Scales and Security Operations	322,465	311,997
Facility Maintenance	303,790	349,788
Vehicle and Equipment Maintenance	381,013	327,956
Solid Waste Authority	106,733	101,681
Environmental Compliance	171,900	187,326
Closure and Post-Closure Costs	526,500	530,063
Depreciation	704,775	747,490
Total Operating Expenses	4,070,456	3,899,641
OPERATING INCOME	1,120,961	917,786
NON-OPERATING REVENUES (EXPENSES)		
Other Income	325	11,045
Interest Income	23,666	22,057
Interest Expense	(34,935)	(52,613)
Other Expense	(1,000)	(4,315)
Gain on Sale of Structures, Improvements and Equipment	5,092	1,177
Waste Tire Reimbursement	170,058	94,074
Total Non-Operating Revenues (Expenses)	163,206	71,425
CHANGE IN NET POSITION	1,284,167	989,211
NET POSTION, July 1st	3,749,830	2,760,619
NET POSITION, June 30th	\$ 5,033,997	\$ 3,749,830

FIDUCIARY FUND

Fiduciary Funds are used to accounts for assets held by the City in a trustee capacity or as an agent for another party. Fiduciary Funds include Pension Trust Funds.

Employees' Retirement System Fund - The Employees' Retirement System Fund is used to account for assets held by the City in a fiduciary capacity for employees or former employees of the City. The Employees' Retirement System Fund uses the accrual method of accounting.

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM FUND - FIDUCIARY FUND
SCHEDULE OF FIDUCIARY ASSETS, LIABILITIES AND NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Investments in Tennessee Retirement Group Trust	\$ 25,986,983	\$ 26,276,833
LIABILITIES	<u>0</u>	<u>0</u>
NET POSITION		
Restricted for Pension Benefits	<u>25,986,983</u>	<u>26,276,833</u>
TOTAL NET POSITION	<u>\$ 25,986,983</u>	<u>\$ 26,276,833</u>

CITY OF ALCOA, TENNESSEE

EMPLOYEES' RETIREMENT SYSTEM FUND - FIDUCIARY FUND
SCHEDULE OF CHANGES IN FIDUCIARY PLAN NET POSITION

For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Additions		
Employer Contributions	\$ 1,512,265	\$ 1,397,040
Interest/Dividend Income	<u>1,293,042</u>	<u>1,895,488</u>
Total Additions	<u>2,805,307</u>	<u>3,292,528</u>
Deductions		
Administrative Expenses	68,581	78,934
Benefit Payments	<u>3,026,576</u>	<u>2,940,875</u>
Total Deductions	<u>3,095,157</u>	<u>3,019,809</u>
Change in Net Position	(289,850)	272,719
Net Position Restricted for Pension Benefits - Beginning of Year	<u>26,276,833</u>	<u>26,004,114</u>
Net Position Restricted for Pension Benefits - End of Year	<u>\$ 25,986,983</u>	<u>\$ 26,276,833</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2020

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2020
Governmental Activities									
Bonds Payable									
<u>Payable through Debt Service Fund</u>									
2008 Local Government Improvement Bonds, Series E-5-B	\$ 18,735,000	Variable/Synthetic Fixed	8/7/2008	6/1/2036	\$ 12,180,000	\$ 0	\$ 1,705,000	\$ 0	\$ 10,475,000
General Obligation Bonds, Series 2012	10,000,000	2.10% to 4.00%	10/25/2012	6/1/2043	9,175,000	0	50,000	9,125,000	0
General Obligation Bonds, Series 2013A	10,000,000	2.75% to 5.00%	10/10/2013	6/1/2043	9,875,000	0	25,000	9,850,000	0
General Obligation Bonds, Series 2014	10,000,000	2.00% to 4.00%	4/4/2014	6/1/2043	9,625,000	0	75,000	9,550,000	0
General Obligation Bonds, Series 2014B (Taxable)	9,000,000	2.40% to 3.75%	9/17/2014	6/1/2026	5,625,000	0	865,000	0	4,760,000
General Obligation Bonds, Series 2015	9,995,000	2.00% to 4.00%	6/15/2015	6/1/2045	9,500,000	0	255,000	0	9,245,000
General Obligation Refunding Bonds, Series 2016A	4,310,000	2.00% to 3.00%	3/10/2016	6/1/2036	4,015,000	0	190,000	0	3,825,000
General Obligation Refunding Bonds, Series 2017	9,995,000	2.00% to 3.00%	3/1/2017	6/1/2037	9,995,000	0	460,000	0	9,535,000
General Obligation Bonds, Series 2018	6,915,000	3.50% to 5.00%	5/4/2018	5/1/2028	6,915,000	0	0	0	6,915,000
General Obligation Refunding Bonds, Series 2020	25,925,000	3.00% to 5.00%	6/25/2020	5/2/2048	0	25,925,000	0	0	25,925,000
Total Bonds Payable through Debt Service Fund					<u>76,905,000</u>	<u>25,925,000</u>	<u>3,625,000</u>	<u>28,525,000</u>	<u>70,680,000</u>
Total Governmental Activities					\$ 76,905,000	\$ 25,925,000	\$ 3,625,000	\$ 28,525,000	\$ 70,680,000
Business-Type Activities									
Bonds Payable									
<u>Payable through Landfill Department Fund</u>									
General Obligation Capital Outlay Note, Series 2016	\$ 266,960	2.25%	12/9/2016	12/1/2019	\$ 38,161	\$ 0	\$ 38,161	\$ 0	\$ 0
General Obligation Bond, Series 2016B	4,395,000	2.00%	5/13/2016	6/1/2022	2,290,000	0	745,000	0	1,545,000
Total Bonds Payable through Landfill Fund					<u>2,328,161</u>	<u>0</u>	<u>783,161</u>	<u>0</u>	<u>1,545,000</u>
<u>Payable through Water and Sewer Department Fund</u>									
2008 Local Government Improvement Bonds, Series E-5-B	37,825,000	Variable/Synthetic Fixed	8/7/2008	6/1/2042	35,225,000	0	915,000	0	34,310,000
State Revolving Loan	3,960,793	3.48%	3/6/2011	12/30/2032	2,900,401	0	88,854	2,811,547	0
General Obligation Refunding Bonds, Series 2016A	5,315,000	2.00% to 3.00%	3/10/2016	6/1/2042	5,090,000	0	25,000	0	5,065,000
General Obligation Bonds, Series 2018	3,060,000	2.75% to 5.00%	5/4/2018	5/1/2028	2,805,000	0	260,000	0	2,545,000
General Obligation Refunding Bonds, Series 2020	2,375,000	3.00% to 5.00%	6/25/2020	6/1/2033	0	2,375,000	0	0	2,375,000
Total Bonds Payable through Water and Sewer Utility Fund					<u>46,020,401</u>	<u>2,375,000</u>	<u>1,288,854</u>	<u>2,811,547</u>	<u>44,295,000</u>
<u>Payable through Electric Utility Fund</u>									
2008 Local Government Improvement Bonds, Series E-5-B	\$ 21,340,000	Variable	8/7/2008	6/1/2031	14,215,000	0	930,000	0	13,285,000
Total Business-Type Activities					\$ 62,563,562	\$ 2,375,000	\$ 3,002,015	\$ 2,811,547	\$ 59,125,000

CITY OF ALCOA, TENNESSEE

SCHEDULE OF BOND AND INTEREST REQUIREMENTS BY FISCAL YEAR

June 30, 2020

Fiscal Year	Total Requirement	Total		2008 Local Government Improvement Bonds, Series E-5-		General Obligation Bonds, Series 2014B (Taxable)	
		Bond	Interest	Bond	Interest	Bond	Interest
2021	\$ 12,107,217	\$ 6,965,000	\$ 5,142,217	\$ 3,735,000	\$ 2,903,500	\$ 885,000	\$ 155,368
2022	12,123,503	7,190,000	4,933,503	3,925,000	2,716,750	715,000	131,915
2023	10,470,804	5,830,000	4,640,804	2,605,000	2,520,500	745,000	110,465
2024	10,441,414	6,045,000	4,396,414	2,695,000	2,390,250	780,000	86,625
2025	10,378,494	6,235,000	4,143,494	2,775,000	2,255,500	805,000	60,105
2026	10,339,263	6,460,000	3,879,263	2,885,000	2,116,750	830,000	31,125
2027	9,730,264	6,120,000	3,610,264	3,245,000	1,972,500	0	0
2028	9,673,684	6,325,000	3,348,684	3,360,000	1,810,250	0	0
2029	9,381,007	6,305,000	3,076,007	3,835,000	1,642,250	0	0
2030	9,416,960	6,615,000	2,801,960	4,060,000	1,450,500	0	0
2031	8,400,730	5,875,000	2,525,730	2,920,000	1,247,500	0	0
2032	7,305,480	5,010,000	2,295,480	1,940,000	1,101,500	0	0
2033	7,073,975	4,965,000	2,108,975	2,000,000	1,004,500	0	0
2034	7,071,700	5,150,000	1,921,700	2,160,000	904,500	0	0
2035	7,036,900	5,315,000	1,721,900	2,255,000	796,500	0	0
2036	7,099,863	5,585,000	1,514,863	2,300,000	683,750	0	0
2037	6,187,750	4,890,000	1,297,750	1,905,000	568,750	0	0
2038	5,478,636	4,370,000	1,108,636	1,910,000	473,500	0	0
2039	5,474,626	4,540,000	934,626	2,020,000	378,000	0	0
2040	5,474,062	4,720,000	754,062	2,090,000	277,000	0	0
2041	5,470,438	4,905,000	565,438	1,710,000	172,500	0	0
2042	5,473,312	5,095,000	378,312	1,740,000	87,000	0	0
2043	2,639,650	2,455,000	184,650	0	0	0	0
2044	959,750	855,000	104,750	0	0	0	0
2045	957,200	885,000	72,200	0	0	0	0
2046	393,500	355,000	38,500	0	0	0	0
2047	391,075	365,000	26,075	0	0	0	0
2048	393,300	380,000	13,300	0	0	0	0
Totals	\$ 187,344,557	\$ 129,805,000	\$ 57,539,557	\$ 58,070,000	\$ 29,473,750	\$ 4,760,000	\$ 575,603

CITY OF ALCOA, TENNESSEE

SCHEDULE OF BOND AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)

June 30, 2020

Fiscal Year	General Obligation Bonds, Series 2015		General Obligation Refunding Bonds, Series		General Obligation Bond, Series 2016B	
	Bond	Interest	Bond	Interest	Bond	Interest
2021	\$ 260,000	\$ 308,145	\$ 220,000	\$ 239,263	\$ 770,000	\$ 30,900
2022	265,000	302,945	230,000	234,862	775,000	15,500
2023	270,000	297,645	290,000	230,263	0	0
2024	275,000	292,245	295,000	224,462	0	0
2025	280,000	286,745	300,000	218,563	0	0
2026	290,000	279,745	300,000	212,562	0	0
2027	295,000	272,495	335,000	206,563	0	0
2028	305,000	265,415	335,000	199,862	0	0
2029	310,000	257,638	115,000	193,163	0	0
2030	320,000	248,337	120,000	190,287	0	0
2031	330,000	238,738	445,000	187,288	0	0
2032	340,000	228,837	485,000	176,162	0	0
2033	350,000	217,788	525,000	162,825	0	0
2034	360,000	206,412	515,000	148,388	0	0
2035	375,000	193,813	505,000	132,937	0	0
2036	390,000	180,687	650,000	117,788	0	0
2037	400,000	166,063	260,000	98,287	0	0
2038	420,000	151,062	355,000	89,837	0	0
2039	435,000	135,313	350,000	78,300	0	0
2040	450,000	119,000	395,000	67,800	0	0
2041	465,000	101,000	890,000	55,950	0	0
2042	485,000	82,400	975,000	29,250	0	0
2043	505,000	63,000	0	0	0	0
2044	525,000	42,800	0	0	0	0
2045	545,000	21,800	0	0	0	0
2046	0	0	0	0	0	0
2047	0	0	0	0	0	0
2048	0	0	0	0	0	0
Totals	\$ 9,245,000	\$ 4,960,068	\$ 8,890,000	\$ 3,494,662	\$ 1,545,000	\$ 46,400

CITY OF ALCOA, TENNESSEE

SCHEDULE OF BOND AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)

June 30, 2020

Fiscal Year	General Obligation Refunding Bonds, Series		General Obligation Bonds, Series 2018		General Obligation Refunding Bonds, Series 2020	
	Bond	Interest	Bond	Interest	Bond	Interest
2021	\$ 470,000	\$ 235,681	\$ 270,000	\$ 329,400	\$ 355,000	\$ 939,960
2022	480,000	226,281	445,000	315,900	355,000	989,350
2023	485,000	216,681	470,000	293,650	965,000	971,600
2024	495,000	206,982	490,000	272,500	1,015,000	923,350
2025	505,000	197,081	510,000	252,900	1,060,000	872,600
2026	515,000	186,981	530,000	232,500	1,110,000	819,600
2027	525,000	176,681	545,000	217,925	1,175,000	764,100
2028	540,000	164,869	560,000	202,938	1,225,000	705,350
2029	550,000	152,719	205,000	186,137	1,290,000	644,100
2030	565,000	140,348	215,000	179,988	1,335,000	592,500
2031	580,000	126,217	220,000	173,537	1,380,000	552,450
2032	595,000	110,993	225,000	166,938	1,425,000	511,050
2033	610,000	95,375	230,000	160,187	1,250,000	468,300
2034	625,000	78,600	240,000	153,000	1,250,000	430,800
2035	645,000	59,850	245,000	145,500	1,290,000	393,300
2036	665,000	40,500	255,000	137,538	1,325,000	354,600
2037	685,000	20,550	265,000	129,250	1,375,000	314,850
2038	0	0	270,000	120,637	1,415,000	273,600
2039	0	0	280,000	111,863	1,455,000	231,150
2040	0	0	290,000	102,762	1,495,000	187,500
2041	0	0	300,000	93,338	1,540,000	142,650
2042	0	0	310,000	83,212	1,585,000	96,450
2043	0	0	320,000	72,750	1,630,000	48,900
2044	0	0	330,000	61,950	0	0
2045	0	0	340,000	50,400	0	0
2046	0	0	355,000	38,500	0	0
2047	0	0	365,000	26,075	0	0
2048	0	0	380,000	13,300	0	0
Totals	\$ 9,535,000	\$ 2,436,389	\$ 9,460,000	\$ 4,324,575	\$ 28,300,000	\$ 12,228,110

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – ELECTRIC UTILITY
June 30, 2020

<u>Name of Company</u>	<u>Policy Number</u>	<u>Term of Policy</u>		<u>Annual Premium</u>	<u>Coverage and Liability Limits</u>
		<u>From</u>	<u>To</u>		
Public Entity Partners	20-0101225	6/30/20	6/30/21	25,200	<u>AUTOMOBILES AND TRUCKS</u> \$1,000,000 combined single limit for all damages because of bodily injury or property damage Medical Payments – \$2,000 Uninsured Motorist – \$100,000 Physical Damage – actual cash value less deductible
Public Entity Partners	50-0101225	6/30/20	6/30/21	1,174	<u>CRIME</u> Theft and Embezzlement – \$500,000 Each Loss Deductible – \$5,000
Public Entity Partners	10-0101225	6/30/20	6/30/21	105,700	<u>WORKMEN'S COMPENSATION</u> Legal – Statutory Requirements \$1,000,000 Employer's Liability Limit
Public Entity Partners	50-0101225	6/30/20	6/30/21	25,406	<u>REAL AND PERSONAL PROPERTY DAMAGE</u> Substations – \$22,211,269 Automotive – \$1,408,076 Contractor's Equipment – \$1,508,121
Public Entity Partners	20-0101225	6/30/20	6/30/21	66,486	<u>ERRORS OR OMISSIONS</u>
Public Entity Partners	20-0101225	6/30/20	6/30/21	42,616	<u>REAL AND PERSONAL PROPERTY</u> General aggregate – \$750,000 Property damage – \$250,000 Bodily injury – \$250,000 Fire damage limit – \$250,000 Medical expense – \$50,000 Each occurrence limit – \$250,000
Public Officials Liability	TML-0247-17	7-28-19	7-28-20	25,480	<u>DIRECTORS AND OFFICERS</u> Coverage Liability – \$1,000,000 per Occurrence Deductible – \$5,000
Public Entity Partners	20-0101225	6-30-20	6-30-21	56,923	<u>BOILER & MACHINERY</u> Insurance Limits – \$3,000,000

SCHEDULE OF INSURANCE ON REAL PERSONAL PROPERTY:

	<u>Replacement Cost</u>	<u>90% Coverage</u>
Buildings.....		\$ 50,251,000
Personal Property.....		3,823,501
Mobile Equipment.....		1,102,808
Total		<u>\$ 55,177,309</u>

CITY OF ALCOA, TENNESSEE

SCHEDULE OF INSURANCE IN FORCE – GENERAL/ WATER AND SEWER UTILITY

June 30, 2020

<u>Name of Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
TML Risk Management Pool	TML 0247-19	7/28/19	7/28/20	COMPREHENSIVE GENERAL LIABILITY Covers All Operations of the City and All Officials and Employees	\$300,000 per Person as limited by the Tort Liability Act \$700,000 per Occurrence \$100,000 Property Damage \$1,000,000 per Occurrence Each Other Loss Non-Tort Acts	\$104,292
				AUTOMOBILE LIABILITY & PHYSICAL DAMAGE Deductible: Comprehensive - \$2,500 Collision - \$2,500 Liability - \$1,000		\$69,534
				PUBLIC OFFICIALS' PERSONAL ERRORS AND OMISSIONS LIABILITY Deductible: \$5,000	\$1,000,000 per Occurrence	\$73,558
TML Risk Management Pool	TWC-0251-19	7/28/19	7/28/20	WORKER'S COMPENSATION State requirements employer's Liability	\$300,000 – Each Accident \$700,000 – Policy Limit \$300,000 – Each Employee	\$352,397
				PROPERTY DAMAGE - Caterpillar Compactor, Scraper, Bulldozer, Tractor, and Backhoes.	\$2,427,992 – Limit per Occurrence	\$2,317
TML Risk Management Pool	TMP-5296-19	01/20/20	01/20/21	CRIME COVERAGE	\$150,000 per Occurrence	
TML Risk Management Pool	PPR-5296-20	1-20-20	1-20-21	PROPERTY COVERAGE Physical Damage to Public Safety Building, Fire Stations, Garage and Storage, Municipal Building, Service Center, Landfill Buildings, Water Treatment Plant, Pump Stations, and Other Small Structures - 90% Co-Insurance – See Schedule	\$87,058,193 Limit per Occurrence	\$83,110
TML Risk Management Pool	PPR-5296-20	01/20/20	01/20/21	ELECTRONIC DATA PROCESSING - Equipment Coverage	\$1,000,000 Limit per Occurrence	\$954

SCHEDULE OF INSURANCE ON REAL AND PERSONAL PROPERTY:

	<u>General</u>	<u>Blount County Landfill</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
Building and Contents	<u>\$23,334,550</u>	<u>\$752,147</u>	<u>\$ 53,516,450</u>	<u>\$9,044,896</u>	<u>\$86,648,043</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – SCHOOLS
June 30, 2020

<u>Name of Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Detail of Coverage</u>	<u>Liability Limits</u>	<u>Premium</u>
TML Risk Management Pool	TML 0604-16	07/28/19	07/28/20	COMPREHENSIVE GENERAL LIABILITY Covers All Operations of the City and All Officials and Employees	\$300,000 per Person as limited by the Tort Liability Act \$700,000 per Occurrence \$100,000 Property Damage \$1,000,000 per Occurrence Each Other Loss Non-Tort Acts	\$5,030
				ERRORS AND OMISSIONS LIABILITY Deductible: \$5,000	\$1,000,000	\$22,759
				COMPREHENSIVE AUTOMOBILE LIABILITY Deductible: Comprehensive - \$250 Collision - \$500	\$300,000	\$3,998
TML Risk Management Pool	TWC-0581-16	07/28/19	07/28/20	WORKER'S COMPENSATION	\$300,000	\$97,375
TML Risk Management Pool	PPR-5296-20	01/20/20	01/20/21	Physical Damage to real and personal Property Values - \$89,565,854		\$114,256
				Copiers and small office equipment and blanket data processing equipment values \$1,227,000		\$1,565
				Mobile Equipment Values - \$176,050		\$225

CITY OF ALCOA, TENNESSEE
SCHEDULE OF UTILITY RATES - ELECTRIC
June 30, 2020

The basic utility rates in force as of June 30, 2020 are as follows:

		<u>Base Residential Rate - Schedule RS</u>
	Customer Charge:	\$17 per month
	Energy Charge:	9.485 cents per kWh per month
		<u>Base General Power Rate - Schedule GSA</u>
PART 1	Customer Charge:	\$24.29 per delivery point per month
	Energy Charge:	10.684 cents per kWh per month
PART 2	Customer Charge:	\$98.75 per delivery point per month
	Demand Charge:	First 50 kW of billing demand per month, no demand charge \$14.45/kW for 51-1,000 kW
	Energy Charge:	10.399 cents per kWh for first 15,000 kWh 6.091 cents per kWh for all additional kWh
PART 3	Customer Charge:	\$237.75 per delivery point per month
	Demand Charge:	First 1,000 kW of billing demand per month at 13.88 cents per kWh From 1,000-5,000 kW of billing demand per month at 14.80 cents per kW
	Energy Charge:	6.071 cents per kWh per month

Adjustment

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The monthly bill under this rate schedule shall not be less than the sum of (a) the base customer charge, (b) the base demand charge, as adjusted, applied to the customer's billing demand, and (c) the base energy charge, as adjusted, applied to the customer's energy takings; provided, however, that under Part 2 of the Base Charges, the monthly bill shall in no event be less than the sum of (a) the base customer charge and (b) 20% of the portion of the base demand charge, as adjusted, applicable to the second block (excess over 50 kW) of billing demand, multiplied by the higher of the customer's currently effective contract demand or its highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

The class and number of customers served by the Electric Utility is as follows:

Residential	26,236
General Power - Under 50kw	3,416
General Power - 50kw and Over	317
Street and Athletics	39
Outdoor Lighting	2,955

CITY OF ALCOA, TENNESSEE
SCHEDULE OF UTILITY RATES WATER AND SEWER

June 30, 2020

The basic utility rates in force as of June 30, 2020 are as follows:

WATER UTILITY RATES:

Rates per 1,000 gallons for all water used, and minimum charge for water service according to the size of meter employed, except as otherwise provided:

<u>One Monthly Billing</u>	<u>Customer Class</u>	<u>Inside City Total Charges/Mo.</u>	<u>Meter Size</u>	<u>Outside City Total Charges/Mo.</u>
First 2,000 Gallons	Residential	\$ 15.75 per mo.	5/8" to 1"	\$ 23.70 per mo.
	Commercial	\$ 19.05 per mo.	5/8" to 1"	28.25 per mo.
	All	\$ 47.70 per mo.	1-1/2 to 3"	70.75 per mo.
	All	\$349.35 per mo.	4" to 6"	518.15 per mo.
	All	\$952.90 per mo.	Greater than 6"	1,413.30 per mo.
		<u>Inside City Price Per 1,000 Gallons</u>		<u>Outside City Price Per 1,000 Gallons</u>
<u>One Monthly Billing</u>				
Over 2,000 Gallons		\$3.90	All Sizes	\$6.00

A 5% penalty will be imposed on bill not paid within fifteen (15) days from their date.

SEWER UTILITY RATES:

The following are the rates charged by the City of Alcoa for the different classes of service listed below:

	<u>Location</u>	<u>Charge per 1,000 Gallons of Metered Water</u>	<u>Customer Base Charge</u>
RATE A	Residential - Inside City	\$ 5.35	\$ 12.80
RATE A-1	Residential - Outside City	\$ 9.10	\$ 21.85
RATE B	Commercial - Inside City	\$ 5.35	\$ 23.45
RATE B-1	Commercial - Outside City	\$ 9.10	\$ 39.90
RATE C	Industrial - Inside City	\$ 5.35	\$ 23.45
RATE C-1	Industrial - Outside City	\$ 9.10	\$ 39.90

A 5% penalty will be imposed on all sewer billings not paid within fifteen (15) days from their date. Consumers under rates A and A-1 shall be subject to a maximum monthly billing of 15,000 gallons.

The class and number of customers served by the Water and Sewer Utility as of June 30, 2020 are as follows:

	<u>Water</u>	<u>Sewer</u>
Residential - Inside City	3,780	3,391
Residential - Outside City	5,269	2,233
Commercial - Inside City	936	732
Commercial - Outside City	396	174
Industrial - Inside City	1	1
Industrial - Outside City	3	1

CITY OF ALCOA
STORMWATER UTILITY
SCHEDULE OF STORMWATER UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2020

The median Equivalent Residential Units (ERU) of 2,696 square feet has been established for the calculation of Stormwater Fees within the corporate limits of the City of Alcoa. As outlined in Title 18, Chapter 8, of the Alcoa Municipal Code, the following rates and charges shall apply:

For billings calculated on or after January 1, 2017:

Detached Dwelling Unit -\$4.00 per month according to the following schedule:

Class I		0 - 1.0 ERU	\$ 4.00 per month
Class II	>	1.0 - 1.5 ERU	\$ 6.00 per month
Class III	>	1.5 - 2.0 ERU	\$ 8.00 per month
Class IV	>	2.0 - 2.5 ERU	\$ 10.00 per month
Class V	>	2.5 ERU	\$ 12.00 per month

CITY OF ALCOA, TENNESSEE

AWWA WATER AUDIT REPORTING WORKSHEET

For the Year Ended June 30, 2020

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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Water Audit Report for: City of Alcoa (0000007)

Reporting Year: 2020 7/2019 - 6/2020

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

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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

WATER SUPPLIED

Volume from own sources:	+ ? 8	2,343.660	MG/Yr
Water imported:	+ ? n/a		MG/Yr
Water exported:	+ ? 8	343.290	MG/Yr

WATER SUPPLIED: 1,996.859 MG/Yr

Master Meter and Supply Error Adjustments

Pcmt: Value: MG/Yr

+ ? 8	0.15%	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		MG/Yr
+ ?	?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		MG/Yr
+ ? 7	?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 8	1,444.521	MG/Yr
Billed unmetered:	+ ? n/a	0.000	MG/Yr
Unbilled metered:	+ ? n/a		MG/Yr
Unbilled unmetered:	+ ? 9	8.029	MG/Yr

AUTHORIZED CONSUMPTION: 1,452.550 MG/Yr

Click here:

Pcmt: Value: MG/Yr

Pcmt:	0.25%	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	8.029	MG/Yr
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Use buttons to select percentage of water supplied OR value

Pcmt: Value: MG/Yr

Pcmt:	0.60%	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		MG/Yr
Pcmt:	?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	4.380	MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 544.309 MG/Yr

Apparent Losses

Unauthorized consumption: 4.992 MG/Yr

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

Customer metering inaccuracies:	+ ? 8	8.719	MG/Yr
Systematic data handling errors:	+ ? 6	4.380	MG/Yr

Apparent Losses: 18.092 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 526.217 MG/Yr

WATER LOSSES: 544.309 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 552.338 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 9	241.5	miles
Number of <u>active AND inactive</u> service connections:	+ ? 7	11,486	
Service connection density:	?	48	conn./mile main

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

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

Average operating pressure: 9 90.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 10	\$8,203,918	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 10	\$3.90	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 8	\$683.52	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 81 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Billed metered

CITY OF ALCOA, TENNESSEE
AWWA WATER AUDIT PERFORMANCE INDICATORS
For the Year Ended June 30, 2020

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association. Copyright © 2014, All Rights Reserved.
Water Audit Report for: City of Alcoa (0000007)		
Reporting Year: 2020 7/2019 - 6/2020		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 ***		
System Attributes:		
	Apparent Losses:	18.092 MG/Yr
	+ Real Losses:	526.217 MG/Yr
	= <u>Water Losses:</u>	544.309 MG/Yr
	? Unavoidable Annual Real Losses (UARL):	99.52 MG/Yr
	Annual cost of Apparent Losses:	\$70,558
	Annual cost of Real Losses:	\$359,680
		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	27.7%
	Non-revenue water as percent by cost of operating system:	5.3%
		Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	4.32 gallons/connection/day
	Real Losses per service connection per day:	125.52 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	1.39 gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	526.22 million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	5.29
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

OTHER INFORMATION SECTION

CITY OF ALCOA, TENNESSEE

STATISTICAL SECTION

June 30, 2020

This part of the City of Alcoa'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 City's overall financial health.

CONTENTS

SCHEDULES

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1 through 4

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source.

5 through 8

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

9 through 13

Demographic And Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

14 through 15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

16 through 18

CITY OF ALCOA, TENNESSEE
SCHEDULE 1
NET POSITION BY COMPONENT
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
GOVERNMENTAL ACTIVITIES										
Net Investment in Capital Assets	\$ 24,517,065	\$ 28,049,182	\$ 26,539,320	\$ 20,456,653	\$ 18,305,142	\$ 18,643,895	\$ 6,206,361	\$ 9,138,604	\$ 17,131,555	\$ 19,139,028
Restricted	11,328,383	3,710,323	4,564,341	7,522,158	9,100,582	12,237,981	18,960,022	12,890,404	5,656,633	5,182,983
Unrestricted (Deficit)	<u>(6,898,483)</u>	<u>(9,122,568)</u>	<u>(6,362,087)</u>	<u>(8,626,812)</u>	<u>(14,907,903)</u>	<u>(19,025,038)</u>	<u>(9,136,720)</u>	<u>(11,247,155)</u>	<u>(14,276,105)</u>	<u>(11,817,361)</u>
Total Governmental Activities Net Position	<u>\$ 28,946,965</u>	<u>\$ 22,636,937</u>	<u>\$ 24,741,574</u>	<u>\$ 19,351,999</u>	<u>\$ 12,497,821</u>	<u>\$ 11,856,838</u>	<u>\$ 16,029,663</u>	<u>\$ 10,781,853</u>	<u>\$ 8,512,083</u>	<u>\$ 12,504,650</u>
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	\$ 58,479,351	\$ 55,863,096	\$ 51,253,207	\$ 52,038,148	\$ 49,237,556	\$ 50,190,104	\$ 41,602,343	\$ 38,763,375	\$ 37,278,343	\$ 37,476,104
Restricted	0	0	1,300,187	1,281,411	1,264,653	1,477,123	1,407,958	1,338,590	1,269,617	1,200,538
Unrestricted	<u>13,442,416</u>	<u>10,487,524</u>	<u>6,595,944</u>	<u>10,254,121</u>	<u>9,450,499</u>	<u>8,477,339</u>	<u>16,550,292</u>	<u>18,846,604</u>	<u>18,844,587</u>	<u>14,497,846</u>
Total Business-Type Activities Net Position	<u>\$ 71,921,767</u>	<u>\$ 66,350,620</u>	<u>\$ 59,149,338</u>	<u>\$ 63,573,680</u>	<u>\$ 59,952,708</u>	<u>\$ 60,144,566</u>	<u>\$ 59,560,593</u>	<u>\$ 58,948,569</u>	<u>\$ 57,392,547</u>	<u>\$ 53,174,488</u>
PRIMARY GOVERNMENT										
Net Investment in Capital Assets	\$ 82,996,416	\$ 83,912,278	\$ 77,792,527	\$ 72,494,801	\$ 67,542,698	\$ 68,833,999	\$ 47,808,704	\$ 47,901,979	\$ 54,409,898	\$ 56,615,132
Restricted	11,328,383	3,710,323	5,864,528	8,803,569	10,365,235	13,715,104	20,367,980	14,228,994	6,926,250	6,383,521
Unrestricted (Deficit)	<u>6,543,933</u>	<u>1,364,956</u>	<u>233,907</u>	<u>1,627,309</u>	<u>(5,457,404)</u>	<u>(10,547,699)</u>	<u>7,413,572</u>	<u>7,599,449</u>	<u>4,568,482</u>	<u>2,680,485</u>
Total Primary Government Net Position	<u>\$ 100,868,732</u>	<u>\$ 88,987,557</u>	<u>\$ 83,890,962</u>	<u>\$ 82,925,679</u>	<u>\$ 72,450,529</u>	<u>\$ 72,001,404</u>	<u>\$ 75,590,256</u>	<u>\$ 69,730,422</u>	<u>\$ 65,904,630</u>	<u>\$ 65,679,138</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE 2
CHANGES IN NET POSITION
(Prepared Using the Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
EXPENSES										
Governmental Activities										
General Government	\$ 10,102,269	\$ 7,691,090	\$ 8,990,425	\$ 3,605,345	\$ 2,675,015	\$ 2,226,413	\$ 2,163,198	\$ 2,643,841	\$ 2,431,591	\$ 1,897,624
Public Safety	10,163,133	10,515,653	10,132,385	10,071,775	10,652,182	9,544,500	9,118,341	8,354,301	8,242,524	7,095,684
Public Works	6,303,387	6,599,273	6,462,318	5,733,789	5,815,449	5,698,308	4,583,593	4,183,912	5,484,274	4,453,578
Culture and Recreation	0	635,635	863,740	2,682,489	938,333	1,110,699	1,003,749	1,316,438	1,342,132	1,058,816
Economic Development	2,353,303	1,626,729	1,292,190	1,123,627	1,403,320	1,042,221	713,405	748,075	690,939	746,932
Education	26,115,353	25,055,763	24,678,680	22,041,495	22,072,833	19,998,346	20,290,532	19,836,728	18,980,713	18,327,823
Debt Service:										
Interest on Long-Term Debt	2,262,253	2,248,871	2,095,576	1,989,192	1,207,000	1,324,010	1,189,641	1,166,010	2,675,165	3,447,121
Total Governmental Activities Expenses	<u>57,299,698</u>	<u>54,373,014</u>	<u>54,515,314</u>	<u>47,247,712</u>	<u>44,764,132</u>	<u>40,944,497</u>	<u>39,062,459</u>	<u>38,249,305</u>	<u>39,847,338</u>	<u>37,027,578</u>
Business-Type Activities										
Stormwater Utility	1,189,745	1,267,648	1,078,091	1,126,244	1,146,369	1,108,997	1,082,711	901,571	1,008,510	856,813
Water & Sewer	13,198,361	12,756,765	12,078,385	12,029,149	12,183,484	10,986,018	10,247,877	10,647,505	10,513,127	10,871,063
Electric	65,026,188	67,833,110	64,529,615	62,496,910	60,690,350	62,513,432	61,009,610	59,171,822	57,423,290	59,534,420
Landfill	4,106,392	3,971,137	3,863,804	3,952,854	3,840,763	3,619,982	3,943,753	3,629,673	3,788,479	3,294,204
Total Business-Type Activities Expenses	<u>83,520,686</u>	<u>85,828,660</u>	<u>81,549,895</u>	<u>79,605,157</u>	<u>77,860,966</u>	<u>78,228,429</u>	<u>76,283,951</u>	<u>74,350,571</u>	<u>72,733,406</u>	<u>74,556,500</u>
Total Primary Government Expenses	<u>\$ 140,820,384</u>	<u>\$ 140,201,674</u>	<u>\$ 136,065,209</u>	<u>\$ 126,852,869</u>	<u>\$ 122,625,098</u>	<u>\$ 119,172,926</u>	<u>\$ 115,346,410</u>	<u>\$ 112,599,876</u>	<u>\$ 112,580,744</u>	<u>\$ 111,584,078</u>
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
General Government	\$ 8,352,607	\$ 7,378,694	\$ 6,884,388	\$ 6,901,490	\$ 675,592	\$ 279,171	\$ 496,005	\$ 178,493	\$ 1,023,162	\$ 1,028,807
Public Safety	441,619	580,532	656,737	636,235	663,174	504,445	15,087	18,146	29,985	0
Public Works	471,084	879,283	825,325	912,557	433,611	304,002	349,703	372,895	627,425	34,351
Economic Development	0	0	0	23,396	18,986	19,700	14,434	17,350	0	41,737
Education	1,576,488	371,794	1,134,061	1,205,635	603,372	451,405	849,379	552,034	782,537	754,043
Operating Grants and Contributions	13,982,663	11,787,718	12,582,245	10,163,304	10,218,711	10,536,788	9,071,291	8,823,444	3,577,873	3,526,523
Capital Grants and Contributions	137,600	260,050	2,946,797	569,067	1,385,336	5,202,207	3,107,392	223,478	328,348	3,238,754
Total Governmental Activities Program Revenues	<u>24,962,061</u>	<u>21,258,071</u>	<u>25,029,553</u>	<u>20,411,684</u>	<u>13,998,782</u>	<u>17,297,718</u>	<u>13,903,291</u>	<u>10,185,840</u>	<u>6,369,330</u>	<u>8,624,215</u>

CITY OF ALCOA, TENNESSEE

SCHEDULE 2

**CHANGES IN NET POSITION (Continued)
(Prepared Using the Accrual Basis of Accounting)**

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
PROGRAM REVENUES (Continued)										
Business-Type Activities										
Charges for Services										
Stormwater Utility	1,333,586	1,318,670	1,304,463	1,180,437	1,061,473	1,035,588	1,026,324	1,015,899	1,032,697	997,509
Water and Sewer	15,884,784	14,578,655	13,928,825	12,269,851	11,251,858	10,852,298	10,958,811	10,584,258	11,121,466	10,127,771
Electric	67,345,702	69,474,339	67,502,185	66,503,968	63,062,563	64,201,148	63,215,476	61,827,061	61,180,133	62,679,266
Landfill	5,366,894	4,927,248	4,431,096	4,290,739	3,635,050	3,534,132	3,319,691	3,461,295	4,158,261	3,554,335
Operating Grants and Contributions	1,260	25,941	147,596	127,253	153,261	75,718	90,559	105,603	85,166	69,490
Capital Grants and Contributions	787,977	4,061,553	540,608	178,450	377,230	1,610,605	0	473,138	942,024	2,667,043
Total Business-Type										
Activities Program Revenues	<u>90,720,203</u>	<u>94,386,406</u>	<u>87,854,773</u>	<u>84,550,698</u>	<u>79,541,435</u>	<u>81,309,489</u>	<u>78,610,861</u>	<u>77,467,254</u>	<u>78,519,747</u>	<u>80,095,414</u>
Total Primary Government										
Program Revenues	<u>\$ 115,682,264</u>	<u>\$ 115,644,477</u>	<u>\$ 112,884,326</u>	<u>\$ 104,962,382</u>	<u>\$ 93,540,217</u>	<u>\$ 98,607,207</u>	<u>\$ 92,514,152</u>	<u>\$ 87,653,094</u>	<u>\$ 84,889,077</u>	<u>\$ 88,719,629</u>
NET (EXPENSE) REVENUE										
Governmental Activities	<u>\$ (32,337,637)</u>	<u>\$ (33,114,943)</u>	<u>\$ (29,485,761)</u>	<u>\$ (26,836,028)</u>	<u>\$ (30,765,350)</u>	<u>\$ (23,646,779)</u>	<u>\$ (25,159,168)</u>	<u>\$ (28,063,465)</u>	<u>\$ (33,478,008)</u>	<u>\$ (28,403,363)</u>
Business-Type Activities	<u>7,199,517</u>	<u>8,557,746</u>	<u>6,304,878</u>	<u>4,945,541</u>	<u>1,680,469</u>	<u>3,081,060</u>	<u>2,326,910</u>	<u>3,116,683</u>	<u>5,786,341</u>	<u>5,538,914</u>
Total Primary Government										
Net Expenses	<u>\$ (25,138,120)</u>	<u>\$ (24,557,197)</u>	<u>\$ (23,180,883)</u>	<u>\$ (21,890,487)</u>	<u>\$ (29,084,881)</u>	<u>\$ (20,565,719)</u>	<u>\$ (22,832,258)</u>	<u>\$ (24,946,782)</u>	<u>\$ (27,691,667)</u>	<u>\$ (22,864,449)</u>
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
Governmental Activities										
General Revenues										
Sales Taxes	\$ 15,781,259	\$ 15,536,754	\$ 13,811,770	\$ 14,722,171	\$ 14,142,755	\$ 14,520,112	\$ 14,256,596	\$ 15,445,336	\$ 15,002,875	\$ 15,808,462
State Income and Excise Taxes	128,518	91,846	100,413	127,426	135,244	95,095	87,636	104,705	145,229	69,431
Property Taxes	17,853,420	14,535,523	14,275,685	14,297,638	13,744,696	13,734,216	12,723,141	12,129,571	12,211,321	13,797,967
Business Taxes	1,023,424	878,570	895,245	961,373	942,515	897,280	902,658	284,263	1,361,561	817,279
Miscellaneous Taxes	617,090	669,610	765,375	447,576	1,061,384	790,571	512,845	467,396	512,818	265,316
In-Lieu-of Taxes	1,196,851	1,172,589	1,058,111	1,207,703	297,331	371,954	155,929	255,535	0	0
Interest Income	287,206	262,877	186,461	26,390	117,349	56,826	17,032	3,476	17,931	19,370
Gain (Loss) on Deletion of										
Capital Assets	0	0	0	0	0	0	64,258	13,296	0	0
Transfers-in-Lieu of taxes	2,042,775	1,535,975	1,844,322	1,899,929	1,889,495	1,728,324	1,686,883	1,629,657	1,621,501	1,576,436
Transfers - Contributions of Capital Assets	(282,878)	(3,868,460)	0	0	0	0	0	0	0	0
Total Governmental Activities	<u>38,647,665</u>	<u>30,815,284</u>	<u>32,937,382</u>	<u>33,690,206</u>	<u>32,330,769</u>	<u>32,194,378</u>	<u>30,406,978</u>	<u>30,333,235</u>	<u>30,873,236</u>	<u>32,354,261</u>

CITY OF ALCOA, TENNESSEE

SCHEDULE 2

**CHANGES IN NET POSITION (Continued)
(Prepared Using the Accrual Basis of Accounting)**

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION (Continued)										
Business-Type Activities										
General Revenues										
Gain (Loss) on Sale of Fixed Assets	0	0	0	0	0	0	(50,755)	45,783	0	0
Interest Income	131,527	179,461	57,122	31,189	17,168	7,322	22,752	23,313	53,219	37,511
Transfers - Contributions of Capital Assets	282,878	0	0	0	0	0	0	0	0	0
Transfers-in-Lieu of taxes	<u>(2,042,775)</u>	<u>(1,535,975)</u>	<u>(1,844,322)</u>	<u>(1,899,929)</u>	<u>(1,889,495)</u>	<u>(1,728,324)</u>	<u>(1,686,883)</u>	<u>(1,629,657)</u>	<u>(1,621,501)</u>	<u>(1,576,436)</u>
Total Business-Type Activities	<u>(1,628,370)</u>	<u>(1,356,514)</u>	<u>(1,787,200)</u>	<u>(1,868,740)</u>	<u>(1,872,327)</u>	<u>(1,721,002)</u>	<u>(1,714,886)</u>	<u>(1,560,561)</u>	<u>(1,568,282)</u>	<u>(1,538,925)</u>
Total Primary Government	\$ <u>37,019,295</u>	\$ <u>29,458,770</u>	\$ <u>31,150,182</u>	\$ <u>31,821,466</u>	\$ <u>30,458,442</u>	\$ <u>30,473,376</u>	\$ <u>28,692,092</u>	\$ <u>28,772,674</u>	\$ <u>29,304,954</u>	\$ <u>30,815,336</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ 6,310,028	\$ (2,299,659)	\$ 3,451,621	\$ 6,854,178	\$ 1,565,419	\$ 8,547,599	\$ 5,247,810	\$ 2,269,770	\$ (2,604,772)	\$ 3,950,898
Business-Type Activities	<u>5,571,147</u>	<u>7,201,232</u>	<u>4,517,678</u>	<u>3,076,801</u>	<u>(191,858)</u>	<u>1,360,058</u>	<u>612,024</u>	<u>1,556,122</u>	<u>4,218,059</u>	<u>3,999,989</u>
Total Primary Government	\$ <u>11,881,175</u>	\$ <u>4,901,573</u>	\$ <u>7,969,299</u>	\$ <u>9,930,979</u>	\$ <u>1,373,561</u>	\$ <u>9,907,657</u>	\$ <u>5,859,834</u>	\$ <u>3,825,892</u>	\$ <u>1,613,287</u>	\$ <u>7,950,887</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Modified Accrual Basis of Accounting)
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
FUND BALANCE UNDER GASB 54										
GENERAL FUND										
Restricted	\$ 0	\$ 127,991	\$ 124,927	\$ 325,264	\$ 165,441	\$ 63,674	\$ 2,222	\$ 2,096	\$ 180,786	\$ 990
Committed	500,000	0	0	0	0	0	0	0	0	0
Assigned	0	997,488	512,658	508,792	947,010	941,852	631,139	0	0	1,135,718
Unassigned	<u>8,254,196</u>	<u>5,392,620</u>	<u>7,669,588</u>	<u>7,741,634</u>	<u>5,355,971</u>	<u>4,142,773</u>	<u>3,139,908</u>	<u>2,590,467</u>	<u>2,336,761</u>	<u>3,993,720</u>
Total General Fund	<u>\$ 8,754,196</u>	<u>\$ 6,518,099</u>	<u>\$ 8,307,173</u>	<u>\$ 8,575,690</u>	<u>\$ 6,468,422</u>	<u>\$ 5,148,299</u>	<u>\$ 3,773,269</u>	<u>\$ 2,592,563</u>	<u>\$ 2,517,547</u>	<u>\$ 5,130,428</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ 10,381	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72	\$ 0
Restricted	8,298,855	9,679,811	10,779,742	13,011,926	4,400,023	5,408,474	2,774,092	3,215,522	2,533,986	41,988
Assigned	397,498	2,349,248	3,052,057	1,382,936	2,027,993	3,471,511	2,638,461	4,753,141	2,441,789	3,785,133
Committed	3,357,642	981,411	1,011,620	1,357,262	3,484,317	2,352,470	12,914,108	5,834,498	412,316	0
Unassigned	<u>(3,550)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Other Governmental Funds	<u>\$ 12,060,826</u>	<u>\$ 13,010,470</u>	<u>\$ 14,843,419</u>	<u>\$ 15,752,124</u>	<u>\$ 9,912,333</u>	<u>\$ 11,232,455</u>	<u>\$ 18,326,661</u>	<u>\$ 13,803,161</u>	<u>\$ 5,388,163</u>	<u>\$ 3,827,121</u>

CITY OF ALCOA, TENNESSEE

SCHEDULE 4

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(Prepared Using the Modified Accrual Basis of Accounting)**

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES										
Taxes	\$ 35,157,746	\$ 30,733,301	\$ 29,468,908	\$ 30,380,301	\$ 25,390,315	\$ 26,555,861	\$ 24,149,030	\$ 22,449,030	\$ 18,847,900	\$ 20,758,394
Licenses, Permits and Fees	491,441	511,043	441,174	499,309	141,755	222,483	527,213	448,607	387,426	362,880
Property Rental	143,794	142,336	193,056	145,138	153,336	143,388	143,547	143,389	136,533	154,944
Intergovernmental	16,658,806	13,841,266	16,781,681	13,019,800	13,102,650	18,300,151	15,992,077	14,337,120	19,660,547	19,471,744
American Recovery and Reinvestment Act (ARRA)	0	0	0	0	0	0	0	0	0	2,796,361
Fines, Forfeitures and Costs	331,242	525,147	603,444	590,061	663,174	517,539	507,920	467,396	504,571	833,623
Interest Income	280,191	256,807	185,737	26,390	85,317	56,826	17,032	3,476	14,301	15,381
Miscellaneous Income	365,626	413,828	429,513	405,023	3,566,681	758,671	130,807	98,121	1,022,837	235,338
Charges for Service	1,583,764	1,406,462	1,344,381	1,275,152	920,100	834,269	1,025,789	942,279	1,104,516	901,811
Total Revenues	<u>55,012,610</u>	<u>47,830,190</u>	<u>49,447,894</u>	<u>46,341,174</u>	<u>44,023,328</u>	<u>47,389,188</u>	<u>42,493,415</u>	<u>38,889,418</u>	<u>41,678,631</u>	<u>45,530,476</u>
EXPENDITURES										
General Government	2,719,864	2,635,364	2,734,496	2,864,149	1,665,434	1,740,661	1,726,638	1,703,606	1,725,782	1,703,547
Public Safety	9,929,328	9,668,007	9,640,735	9,596,090	9,266,855	9,126,797	8,691,747	8,047,944	7,831,192	7,381,046
Public Works	5,403,380	5,517,199	5,357,568	4,670,404	5,039,816	4,974,584	5,167,334	4,913,515	5,277,899	6,206,920
Recreation and Arts	0	400,741	627,097	873,137	785,765	851,898	747,727	1,060,417	1,096,972	583,044
Community Development / Culture	2,353,303	1,626,729	1,292,190	1,123,627	1,403,320	1,042,221	713,405	748,075	690,939	790,263
Education	24,494,222	23,241,540	22,856,597	21,790,764	20,509,466	18,833,640	18,869,100	18,468,873	17,958,585	17,303,597
Other-Building	0	194,303	51,442	0	0	0	0	0	0	0
Debt Service:										
Principal Retirement	3,270,000	3,215,000	3,125,000	2,770,000	5,560,136	5,269,964	4,157,023	3,354,834	3,497,476	3,022,318
Interest and Fiscal Fees	2,467,217	2,248,871	2,095,576	1,989,192	3,949,082	4,003,952	3,433,555	3,118,018	5,421,897	5,625,452
Capital Outlay/Capital Assets	5,131,617	4,240,434	11,581,448	2,742,568	3,327,687	24,902,807	20,274,934	4,403,369	1,174,219	3,383,297
Total Expenditures	<u>55,768,931</u>	<u>52,988,188</u>	<u>59,362,149</u>	<u>48,419,931</u>	<u>51,507,561</u>	<u>70,746,524</u>	<u>63,781,463</u>	<u>45,818,651</u>	<u>44,674,961</u>	<u>45,999,484</u>
Excess (Deficiency) of Revenue Over Expenditures Before Financing Sources (Uses)	<u>(756,321)</u>	<u>(5,157,998)</u>	<u>(9,914,255)</u>	<u>(2,078,757)</u>	<u>(7,484,233)</u>	<u>(23,357,336)</u>	<u>(21,288,048)</u>	<u>(6,929,233)</u>	<u>(2,996,330)</u>	<u>(469,008)</u>

CITY OF MARYVILLE, TENNESSEE

SCHEDULE 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Continued)
(Prepared Using the Modified Accrual Basis of Accounting)

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
OTHER FINANCING										
SOURCES (USES)										
Operating Transfers	0	0	0	55,089	4,594,973	5,738,182	4,455,371	3,778,480	(68,500)	(68,500)
Issuance of Debt/Capital Leases	29,034,118	0	6,915,000	9,995,000	0	9,995,000	20,850,000	10,000,000	402,528	1,422,511
In Lieu of Taxes	2,042,775	1,535,975	1,844,322	1,899,929	1,889,495	1,728,324	1,686,883	1,629,657	1,621,501	1,576,436
Bond Issuance Costs	(440,036)	0	(22,289)	0	0	176,654	0	0	0	0
Payoff to Refunded Bond Escrow Agent	(28,594,082)	0	0	0	0	0	0	0	0	(470,000)
Total Other Financing Sources (Uses)	<u>2,042,775</u>	<u>1,535,975</u>	<u>8,737,033</u>	<u>11,950,018</u>	<u>6,484,468</u>	<u>17,638,160</u>	<u>26,992,254</u>	<u>15,408,137</u>	<u>1,955,529</u>	<u>2,460,447</u>
Net Change in Fund Balance	<u>\$ 1,286,454</u>	<u>\$ (3,622,023)</u>	<u>\$ (1,177,222)</u>	<u>\$ 9,871,261</u>	<u>\$ (999,765)</u>	<u>\$ (5,719,176)</u>	<u>\$ 5,704,206</u>	<u>\$ 8,478,904</u>	<u>\$ (1,040,801)</u>	<u>\$ 1,991,439</u>
Debt Service as a Percentage of Noncapital Expenditures	11.3%	11.2%	10.9%	10.4%	19.7%	20.2%	17.4%	15.6%	20.5%	20.3%

CITY OF ALCOA, TENNESSEE

SCHEDULE 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ending June 30	Tax Year	Commercial Property	Residential Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage Actual Value
2020	2019	\$ 308,948,731	\$ 146,895,750	\$ 112,131,766	\$ 567,976,247	2.27	\$ 1,741,557,152	33%
2019	2018	354,484,084	121,061,475	33,375,720	508,921,279	1.96	1,570,065,116	32%
2018	2017	351,952,477	123,191,450	34,438,280	509,582,207	1.96	1,571,415,375	32%
2017	2016	353,008,768	121,353,975	36,253,880	510,616,623	1.96	1,551,573,604	33%
2016	2015	345,523,373	119,580,225	28,845,040	493,948,638	1.96	1,513,008,885	33%
2015	2014	307,716,795	118,361,585	20,736,324	446,814,704	1.96	1,512,783,981	30%
2014	2013	300,422,940	129,589,563	20,655,563	450,668,066	1.96	1,524,033,999	29%
2013	2012	297,970,805	136,969,733	19,598,651	454,539,189	1.96	1,522,336,648	30%
2012	2011	298,353,980	121,632,050	21,242,913	441,228,943	1.96	1,468,493,462	30%
2011	2010	299,141,245	131,234,268	21,590,546	451,966,059	1.96	1,492,090,101	30%

CITY OF ALCOA, TENNESSEE

SCHEDULE 6

SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collection</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2020	2019	2.27	\$ 12,916,005	\$ 12,856,755	99.5%	\$ 407,313	\$ 13,264,067	100.0%	\$ 486,304	3.77%
2019	2018	1.96	9,974,857	9,631,915	96.6%	609,091	10,241,006	100.0%	561,691	5.63%
2018	2017	1.96	9,987,811	9,394,840	94.1%	583,503	9,976,343	99.8%	826,995	8.28%
2017	2016	1.96	9,974,857	9,631,915	96.6%	609,091	10,241,006	100.0%	561,691	5.63%
2016	2015	1.96	9,987,811	9,394,840	94.1%	581,503	9,976,343	99.8%	826,995	8.28%
2015	2014	1.96	10,014,628	9,080,958	90.7%	599,187	9,680,145	96.7%	600,435	6.00%
2014	2013	1.96	9,681,393	8,241,080	85.1%	1,254,783	9,495,863	98.1%	516,355	5.33%
2013	2012	1.96	8,951,791	8,540,278	95.4%	501,398	9,041,676	100.0%	292,808	3.27%
2012	2011	1.96	9,712,794	8,759,559	90.2%	232,414	8,991,973	98.0%	413,235	4.51%
2011	2010	1.96	8,945,269	8,641,271	96.6%	195,439	8,836,710	98.8%	303,998	3.40%

CITY OF ALCOA, TENNESSEE

SCHEDULE 7

DIRECT AND OVERLAPPING PROPERTY TAXES
(Rates per \$100 of Assess Value)
Last Ten Calendar Years

Fiscal Year Ending June 30,	Tax Year	General Fund	Debt Service Fund	General Purpose School Fund	Total Direct Tax Rate	Overlapping Tax Rate - Blount County
2020	2019	\$ 0.62	\$ 0.96	\$ 0.69	\$ 2.27	\$ 2.47
2019	2018	0.06	1.10	0.80	1.96	2.47
2018	2017	0.06	1.11	0.81	1.96	2.47
2017	2016	0.06	1.10	0.80	1.96	2.47
2016	2015	0.27	0.88	0.80	1.96	2.47
2015	2014	0.49	0.58	0.89	1.96	2.47
2014	2013	0.49	0.58	0.89	1.96	2.15
2013	2012	0.48	0.55	0.93	1.96	2.15
2012	2011	0.48	0.55	0.93	1.96	2.15
2011	2010	0.48	0.55	0.93	1.96	2.15

CITY OF ALCOA, TENNESSEE

SCHEDULE 8

PRINCIPAL TAXPAYERS

June 30, 2020

Taxpayer	Fiscal Year 2019			Taxpayer	Fiscal Year 2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arconic	\$ 73,288,330	1	12.9%	Alcoa	\$ \$ 99,494,424	1	22.0%
Alcoa	32,334,225	2	5.7%	CMH Management	14,855,857	2	3.3%
Ridge at Hamilton Crossing	18,374,417	3	3.2%	Hamilton Crossing, LLC	7,342,080	3	1.6%
CMH Services	13,175,047	4	2.3%	Faulkner Properties	6,166,280	4	1.4%
Alcoa HC LP & Mont Belvieu	11,149,845	5	2.0%	Bell South	5,389,597	5	1.2%
Faulkner Properties	9,033,000	6	1.6%	ETMG Investments, LLC	4,549,760	6	1.0%
Mideb Nominees Inc. #672	7,164,160	7	1.3%	Mideb Nominees Inc. #672	4,506,720	7	1.0%
Cornerstone of Recovery	7,153,320	8	1.3%	Alcoa Power Generating, Inc.	4,238,131	8	0.9%
Clayton Education Corp.	4,751,040	9	0.8%	Stock Creek LLC	3,061,800	9	0.7%
West 2 East Land LP	4,622,200	10	0.8%	Mideb Nominees Inc. #672	3,057,760	10	0.7%
Totals	\$ 181,045,584		31.9%		\$ 152,662,409		33.8%
Total Assessed Value All Property (Excluding Public Utilities)	\$ 567,976,247				\$ 451,966,059		

CITY OF ALCOA, TENNESSEE

SCHEDULE 9

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation/ Bonds	Capital Outlay Notes	Capital Capital Leases	Water & Sewer Bonds	Landfill Bonds	Landfill Capital Outlay Notes	Electric Bonds	Capital Leases			
2020	\$ 73,789,118	\$ 0	\$ 6,892,544	\$ 44,656,923	\$ 1,545,000	\$ 0	\$ 13,285,000	\$ 0	\$ 140,168,585	29.70%	\$ 13,153
2019	83,095,000	0	7,304,785	46,020,401	2,290,000	38,161	14,215,000	0	152,963,347	33.39%	14,569
2018	86,310,000	0	7,621,966	47,452,169	3,145,000	128,283	15,110,000	0	159,767,418	36.33%	15,621
2017	82,520,000	0	7,961,166	45,527,201	3,965,000	216,374	15,950,000	0	156,139,741	38.36%	15,813
2016	75,605,000	0	9,554,742	46,613,701	4,760,000	0	16,765,000	0	153,298,443	44.44%	17,430
2015	78,150,000	0	9,656,129	47,153,837	5,630,000	0	17,550,000	27,947	158,167,913	47.20%	18,070
2014	70,550,000	0	9,802,394	48,178,801	6,375,000	0	18,280,000	130,285	153,316,480	47.77%	17,432
2013	52,975,000	0	10,072,979	48,290,824	6,365,000	0	18,985,000	264,777	136,953,580	44.67%	15,851
2012	44,865,000	0	10,443,284	48,491,008	6,935,000	0	19,665,000	409,718	130,809,010	43.32%	15,264
2011	46,625,000	0	10,192,449	45,507,263	7,475,000	0	20,295,000	295,718	130,390,430	45.49%	15,309

Notes:

Details regarding the City's outstanding debt may be found in the Notes to the Financial Statements.

See Schedule 13 for personal income and population data for the City. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF ALCOA, TENNESSEE
SCHEDULE 10
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Calendar Years

Fiscal Year Ending June 30,	General Obligation/ Revenue Debt	Capital Outlay Notes	Total	Tax Year	Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita
2020	\$ 73,789,118	\$ 0	\$ 73,789,118	2019	\$ 567,976,247	12.99%	\$ 6,924
2019	83,095,000	0	83,095,000	2018	508,921,279	16.33%	7,915
2018	86,310,000	0	86,310,000	2017	509,582,207	16.94%	8,439
2017	82,520,000	0	82,520,000	2016	510,616,623	16.16%	8,357
2016	75,605,000	0	75,605,000	2015	493,948,638	15.31%	8,596
2015	78,150,000	0	78,150,000	2014	446,814,704	17.49%	8,928
2014	70,550,000	0	70,550,000	2013	450,667,633	15.65%	8,022
2013	52,975,000	0	52,975,000	2012	454,479,189	11.66%	6,131
2012	44,865,000	0	44,865,000	2011	441,228,943	10.17%	5,235
2011	46,625,000	0	46,625,000	2010	451,966,059	10.32%	5,474

Notes:

Gross Bonded Debt includes a long-term general obligation debt and loan agreements. Business-Type Activities Debt is not included.

Actual Taxable Value of Property data can be found on Schedule 5.

Population data can be found on Schedule 13.

CITY OF ALCOA, TENNESSEE

SCHEDULE 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Direct Debt			
General Obligation Bonds	\$ 73,789,118		
Capital Leases	<u>6,892,544</u>		
Total Direct Debt	80,681,662	100.00%	\$ 80,681,662
Overlapping Debt			
Blount County General Government	148,926,514	15%	<u>22,338,977</u>
Total Direct and Overlapping Debt			<u>\$ 103,020,639</u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding indebtedness of those overlapping governments that is borne by the residents and businesses of the City of Alcoa. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses 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.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of Blount County, Tennessee's taxable assessed value within the City's boundaries and by dividing Blount County, Tennessee's total taxable value assessed.

SOURCE: Blount County, Tennessee Government

CITY OF ALCOA, TENNESSEE
SCHEDULE 12
PLEDGED - REVENUE COVERAGE

Last Ten Fiscal Years*

Landfill Debt						
Fiscal Year	Landfill Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2020	\$ 5,191,417	\$ 3,365,681	\$ 1,825,736	\$ 783,161	\$ 51,602	2.19
2019	4,817,427	3,152,151	1,665,276	965,126	71,496	1.61
2018	4,431,096	3,772,359	658,737	945,122	91,445	0.57
2017	4,290,739	3,028,528	1,262,211	845,616	111,055	1.32
2016	3,623,476	2,814,377	809,099	795,000	192,838	0.82
2015	3,533,557	2,789,714	743,843	745,000	208,830	0.78
2014	3,311,193	2,982,477	328,716	595,000	228,157	0.40
2013	3,460,408	3,361,784	98,624	646,145	247,999	0.23
2012	4,227,886	3,503,439	724,447	634,028	259,845	0.81
2011	3,609,425	2,440,878	1,168,547	525,000	277,490	1.46

Electric Utility Debt						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2020	\$ 67,342,883	\$ 61,611,217	\$ 5,731,666	\$ 930,000	\$ 232,341	4.93
2019	69,471,689	68,881,304	590,385	1,100,000	457,634	0.38
2018	67,499,927	61,192,047	6,307,880	895,000	30,587	5.28
2017	66,500,398	59,299,057	7,201,341	815,000	14,757	8.67
2016	63,060,136	57,427,543	5,632,593	815,000	169,167	5.72
2015	64,132,308	59,684,010	4,448,298	730,000	340,000	4.16
2014	63,215,476	58,183,734	5,031,742	705,000	378,333	4.64
2013	61,824,158	56,271,437	5,552,721	680,000	462,500	4.86
2012	61,177,604	57,156,903	4,020,701	630,000	277,575	2.23
2011	62,677,214	59,103,033	3,574,181	575,000	405,000	3.65

Water & Sewer Utility Debt						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2020	\$ 15,872,300	\$ 8,657,090	\$ 7,215,210	\$ 1,288,854	\$ 1,419,691	2.66
2019	14,569,782	8,430,553	6,139,229	1,546,768	1,732,613	1.87
2018	13,928,825	8,048,135	5,880,690	1,431,768	1,429,986	2.05
2017	12,269,851	8,023,884	4,245,967	1,085,500	1,323,560	1.76
2016	11,205,806	8,090,148	3,115,658	1,085,500	1,244,342	1.34
2015	10,852,298	7,363,257	3,489,041	1,024,964	1,857,975	1.21
2014	10,958,811	6,311,934	4,646,877	656,848	1,637,424	2.03
2013	10,686,651	6,907,487	3,779,164	497,712	1,395,130	2.00
2012	11,981,772	6,884,584	5,097,188	567,486	1,433,809	2.55
2011	10,078,198	7,240,067	2,838,131	190,014	1,471,659	1.71

CITY OF ALCOA, TENNESSEE
SCHEDULE 12
PLEDGED - REVENUE COVERAGE (Continued)
Last Ten Fiscal Years*

Fiscal Year	Stormwater Debt						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest		
2020	\$ 1,333,423	\$ 1,093,089	\$ 240,334	\$ 0	\$ 0	0.00	
2019	1,318,670	1,157,162	161,508	0	0	0.00	
2018	1,304,463	1,002,328	302,135	0	0	0.00	
2017	1,180,437	1,058,940	121,497	0	0	0.00	
2016	1,061,473	1,075,048	(13,575)	0	0	0.00	
2015	1,035,588	1,033,603	1,985	27,947	0	0.07	
2014	1,026,324	1,010,542	15,782	54,491	0	0.29	
2013	1,015,899	833,508	182,391	52,671	0	3.46	
2012	1,032,697	958,598	74,099	50,913	0	1.46	
2011	997,509	816,882	180,627	49,213	0	2.04	

Notes:

*Operating expenses do not include interest, depreciation, transfers, or amortization expenses.

CITY OF ALCOA, TENNESSEE
SCHEDULE 13
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Population	(2) Personal Income	(3) Per Capita Income	(4) School Enrollment	(5) Unemployment Rate
2020	10,656	\$ 471,980,015	\$ 44,290	2,116	6.60%
2019	10,499	458,132,947	43,636	2,077	3.00%
2018	10,228	439,711,948	42,991	2,053	3.10%
2017	9,874	407,045,776	41,224	1,969	2.70%
2016	8,795	344,992,670	39,226	1,987	3.70%
2015	8,753	335,082,346	38,282	1,969	4.20%
2014	8,795	320,938,345	36,491	1,812	4.10%
2013	8,640	306,555,840	35,481	1,813	6.60%
2012	8,570	301,955,380	35,234	1,780	7.80%
2011	8,517	286,665,186	33,658	1,775	7.70%

- SOURCES:** (1) 2010 - U.S. Census Bureau, 2010 Census
2011 Special Census Certification from the Dept of Economic & Community Development
(2) 2012-2018 U.S. Census Bureau Estimate (updated)
(3) 2019 Estimated based prior year's growth
2019 - 2020 Estimated based on prior year's growth
(4) Calculation based upon Population and Per Capita Income
(5) East Tennessee Economic Development Agency

CITY OF ALCOA, TENNESSEE

SCHEDULE 14

PRINCIPAL EMPLOYERS

June 30, 2020

Employer	2020			2011 (3)		
	Employees	Rank	Percentage Of Total City/County Employment	Employees	Rank	Percentage Of Total City/County Employment
Denso Manufacturing Tennessee, Inc. (1)	5,350	1	9.36%	2,700	1	4.65%
Clayton Homes (1)	4,883	2	8.55%	2,542	2	4.38%
Blount Memorial Hospital (1)	2,647	3	4.63%	2,256	3	3.88%
McGhee Tyson ANG Base (1)	1,728	4	3.02%			
Blount County School System (1)	1,701	5	2.98%	1,500	4	2.58%
Newell Rubbermaid (1) Sanford Brands	1,000	6	1.75%	350	12	0.60%
Maryville City Schools (2)	933	7	1.63%	660	7	1.14%
Arconic (1)	898	8	1.57%	1,218	6	2.10%
Blount County Government (1)	774	9	1.35%	630	8	1.08%
Walmart Super Center (2)	610	10	1.07%	559	10	0.96%
Accenture Hospitality Service (1) Formerly Marriott	541	11	0.95%	600	9	1.03%
Ruby Tuesday (1)	475	12	0.83%	1,242	5	2.14%
TeamHealth Alcoa Billing Center (1)	451	13	0.79%			
Massey Group (2)	405	14	0.71%			
Maryville College (1)	380	15	0.67%	253	17	0.44%
Reinhart Food Service (1) Formerly IJ Co.	344	16	0.60%	483	11	0.83%
Standard Aero, Inc. (1)	340	17	0.60%	270	15	0.46%
City of Maryville (2)	323	18	0.57%	308	13	0.53%
Peninsula Hospital (1), division of Covenant Health	317	19	0.55%			
City of Alcoa (2)	277	20	0.48%	257	16	0.44%
K 12 (1)	265	21	0.46%			
Alcoa City Schools (2)	237	22	0.41%	208	19	0.36%
Cornerstone of Recovery	219	23	0.38%			
	<u>25,098</u>		<u>43.93%</u>	<u>16,036</u>		<u>27.60%</u>
Total Blount County						
Employment 2020 (as of 05/2020) (4)	57,128					
Employment 2010 (as of 05/2010) (4)	58,100					

SOURCES:

- (1) The Knoxville News Sentinel "Book of Lists"
- (2) 2020 Responses from Employer
- (3) City of Alcoa Comprehensive Annual Financial Report June 30, 2011
- (4) U.S. Bureau of Labor Statistics

CITY OF ALCOA, TENNESSEE

SCHEDULE 15

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	<u>Actual FY 2020</u>	<u>Actual FY 2019</u>	<u>Actual FY 2018</u>	<u>Actual FY 2017</u>	<u>Actual FY 2016</u>	<u>Actual FY 2015</u>	<u>Actual FY 2014</u>	<u>Actual FY 2013</u>	<u>Actual FY 2012</u>	<u>Actual FY 2011</u>
General Government										
Administrative/ Office	41	43	43	42	42	42	42	43	42	51
Police	51	50	49	48	49	49	41	42	42	42
Fire	36	38	34	34	34	32	29	30	30	30
Public Works and Streets	14	12	14	13	13	17	17	15	15	18
Other- Support Services and Maintenance	6	6	6	6	6	6	6	6	6	7
Education	237	218	218	242	249	235	231	231	231	228
Solid Waste	13	13	10	10	10	11	11	11	11	10
Other- Inspectors	2	3	3	3	3	3	3	3	3	4
Total General Government	400	383	377	398	406	395	380	381	380	390
Utilities										
Stormwater	9	7	7	8	8	8	8	8	8	8
Water and Sewer	38	35	35	35	34	34	34	34	34	33
Electric	50	58	61	57	60	60	61	62	62	61
Landfill	17	17	17	18	17	17	18	16	16	16
Total Utilities	114	117	120	118	119	119	121	120	120	118
Total Government and Utilities	514	500	497	516	525	514	501	501	500	508

CITY OF ALCOA, TENNESSEE
SCHEDULE 16
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program General Government	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Physical Arrests	1,723	1,512	921	1,248	1,145	1,245	1,492	1,506	697	1,449
Traffic Violations	4,113	6,686	5,417	5,199	5,298	6,061	7,431	7,179	7,550	8,067
Fire										
Emergency Response	2,137	2,708	2,245	2,184	2,185	1,519	1,867	1,797	1,669	1,591
Fires Extinguished	32	58	43	71	84	46	61	58	75	99
Inspections	324	331	318	301	289	501	303	283	850	131
Public Works/Streets										
Street Resurfacing (Lanes)	6.8	5.3	5.0	3.5	3.4	2.3	4.5	1.3	1.5	3.3
Potholes Repaired	218	367	325	77	253	83	52	126	83	38
Education										
Tuition Students Served	338	357	407	378	409	435	483	473	484	490
Parks and Recreation										
Community Pool Admissions	13,235	29,345	32,600	32,360	36,045	30,368	34,677	35,500	40,510	44,506
Landfill										
Refuse Collected (Tons per day)	261.15	265.92	266.43	244.49	332.46	290.87	327.13	227.87	283.57	295.60
Recyclables Collected (Tons per day)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	188.65	150.00
Water/Sewer										
New Connections	79	261	64	71	83	232	219	147	117	81
Water Main Breaks-Leak Repaired	110	114	80	79	108	160	216	154	208	194
Average Daily Consumption (thousands of gallons)	4,898	4,700	4,478	4,832	4,933	4,687	6,237	6,566	5,308	5,040
Peak Daily Consumption (thousands of gallons)	7,670	8,310	8,720	8,480	9,070	8,470	9,380	9,040	8,990	9,550
Average Daily Sewage Treatment (thousands of gallons)	2,544	2,020	1,422	1,755	1,926	1,348	1,740	2,125	2,025	1,227
Electric Utility										
Average Monthly kwh Purchased	53,018,402	53,916,652	54,665,807	52,830,896	24,465,339	54,395,397	53,911,198	52,276,324	51,720,533	55,409,355

CITY OF ALCOA, TENNESSEE
SCHEDULE 17
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year Ending									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	36	34	34	44	46	42	42	42	42	42
Police Adm. / Other Vehicles	25	17	17	17	16	16	15	15	15	15
Fire Stations	3	3	3	3	3	3	3	3	3	3
Landfill										
Collection Trucks (customers)	76,308	70,040	70,040	70,712	69,548	53,056	57,873	56,809	71,500	71,500
Public Works / Streets										
Highway (miles)	98.4	97.7	97.7	97.7	110.9	110.9	110.5	110.5	110.5	110.5
Traffic Lights	31	31	31	24	24	24	24	24	24	24
Education										
High School	1	1	1	1	1	1	1	1	1	1
Middle School	1	1	1	1	1	1	1	1	1	1
Intermediate School	1	1	1	1	1	1				
Elementary School	1	1	1	1	1	1	1	1	1	1
Parks and Recreation										
Acreage	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8
Playgrounds	7	7	7	3	3	3	3	3	3	3
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	241.5	240.6	239.5	237.3	236.0	232.3	230.7	227.6	226.0	224.9
Storage Capacity (thousands of gallons)	14,950	14,950	14,950	14,950	14,950	14,950	13,350	13,350	13,350	13,350
Treatment Capacity (thousands of gallons)	16,000	16,000	16,000	16,000	1,600	16,000	16,000	16,000	16,000	16,000
Sewage										
Sanitary Sewers (miles)	132.7	130.1	130.0	129.0	127.0	126.1	123.0	122.6	120.3	133.6
Storm Sewers (miles)	55.6	53.5	49.3	49.7	49.6	138.36	47.3	47.3	47.3	47.3
Electric										
Number of Customers	30,106	29,750	29,262	28,915	28,728	28,549	27,905	27,808	27,640	27,443
Annual KWH Sold	636,220,819	624,005,361	624,009,864	613,858,813	601,572,219	621,642,357	616,051,727	627,315,889	620,646,399	632,856,770
Sub Stations	7	13	13	13	13	13	12	12	12	12
Pole Line (miles)	1,010	1,103	1,086	1,079	1,068	1,200	1,145	1,145	1,145	1,145

Sources: Various city departments

COMPLIANCE SECTION

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor Program	CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Awards				
U.S. Department of Agriculture				
Passed through the Tennessee Department of Agriculture:				
National School Lunch Program - Non-Cash Assistance-Commodities	10.555	N/A	\$ 0	\$ 63,187
National School Lunch Program - Commodities - Warehousing Rebate	10.555	N/A	<u>0</u>	<u>4,399</u>
Total Passed through the Tennessee Department of Agriculture			<u>0</u>	<u>67,586</u>
Passed through the Tennessee Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	0	131,113
COVID-19 School Breakfast Program	10.553	N/A	<u>0</u>	<u>84,319</u>
Total School Breakfast Program			<u>0</u>	<u>215,432</u>
National School Lunch Program	10.555	N/A	0	349,991
COVID-19 National School Lunch Program	10.555	N/A	0	133,865
National School Snack Program	10.555	N/A	<u>0</u>	<u>32,723</u>
Total National School Lunch Program			<u>0</u>	<u>516,579</u>
Total Passed through the Tennessee Department of Education			<u>0</u>	<u>732,011</u>
Total Child Nutrition Cluster			<u>0</u>	<u>799,597</u>
U.S. Department of Education				
Passed through the Tennessee Department of Education:				
Special Education Cluster:				
Special Education Grants to States	84.027	N/A	0	353,123
Special Education Preschool Grants	84.173	N/A	<u>0</u>	<u>7,480</u>
Total Special Education Cluster			<u>0</u>	<u>360,603</u>
Career and Technical Education - Basic Grants to States	84.048	N/A	0	60,732
Title I Grants to Local Educational Agencies	84.010	N/A	0	279,841
English Language Acquisition State Grants	84.365	N/A	0	3,270
Supporting Effective Instruction State Grants	84.367	N/A	0	40,224
Student Support and Academic Enrichment Program	84.424	N/A	<u>0</u>	<u>7,056</u>
Total U.S. Department of Education			<u>0</u>	<u>751,726</u>
U.S. Department of Justice				
U.S. Department of Justice Direct Assistance:				
Bulletproof Vest Partnership Program (2018)	16.607	N/A	0	553
Total U.S. Department of Justice			<u>0</u>	<u>553</u>
U.S. Department of Transportation				
Passed through the Tennessee Department of Transportation:				
Highway Planning and Construction - Duck Pond	20.205	150105	0	1,160,879
Highway Planning and Construction - Pistol Creek	20.205	140021	<u>0</u>	<u>1,186,686</u>
Total CFDA Number 20.205			<u>0</u>	<u>2,347,565</u>
Total Passed through the Tennessee Department of Transportation			<u>0</u>	<u>2,347,565</u>
Passed through the Tennessee Department of Safety & Homeland Security:				
State and Community Highway Safety (2019)	20.600	Z19THS007	0	3,321
State and Community Highway Safety (2020)	20.600	Z20THS002	<u>0</u>	<u>17,626</u>
Total CFDS Number 20.600			<u>0</u>	<u>20,947</u>
Total Passed through the Tennessee Department of Safety & Homeland Security			<u>0</u>	<u>20,947</u>
Total U.S. Department of Transportation			<u>0</u>	<u>2,368,512</u>

The accompanying notes to the schedule of expenditures of federal and state financial assistance are an integral part of this schedule.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor Program	CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Awards (Continued)				
U.S. Department of Homeland Security				
U.S. Department of Homeland Security Direct Assistance:				
Assistance to Firefighters	97.044	N/A	0	1,030
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	0	133,243
Total U.S. Department of Homeland Security Direct Assistance			<u>0</u>	<u>134,273</u>
Passed through the Tennessee Department of Military:				
Disaster Grants - Public Assistance	97.036	N/A	0	13,957
Total Passed through the Tennessee Department of Military			<u>0</u>	<u>13,957</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>148,230</u>
Total Federal Awards			<u>\$ 0</u>	<u>\$ 4,068,618</u>
State Financial Assistance				
Tennessee Department of Agriculture:				
USDA Child Nutrition State Matching		N/A	<u>0</u>	<u>9,267</u>
Tennessee Department of Education:				
Coordinated School Health Project		N/A	0	80,000
Early Childhood Education		N/A	0	166,513
Family Resource Center Program		N/A	0	29,612
Middle School STEM Start-Up		N/A	0	9,629
Middle School CTE Start-Up		N/A	0	9,954
Safe Schools		N/A	0	35,650
Total Tennessee Department of Education			<u>0</u>	<u>331,358</u>
Tennessee Department of Transportation:				
Aeronautics Education (2019)		N/A	0	560
Aeronautics Education (2020)		N/A	0	2,743
Total Tennessee Department of Transportation			<u>0</u>	<u>3,303</u>
Tennessee Department of Military				
Disaster Grants		N/A	<u>0</u>	<u>2,326</u>
Tennessee Department of Environment and Conservation				
TNSA Green Development Grant		N/A	<u>0</u>	<u>29,057</u>
Total State Financial Assistance			<u>0</u>	<u>375,311</u>
Total Federal Awards and State Financial Assistance			<u>\$ 0</u>	<u>\$ 4,443,929</u>

The accompanying notes to the schedule of expenditures of federal and state financial assistance are an integral part of this schedule.

CITY OF ALCOA, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of City of Alcoa (the "City") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position, or cash flows of the City.

Federal Financial Assistance - The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments - Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments - Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs - The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the City were defined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance - The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - NON-CASH ASSISTANCE

The Alcoa City Schools is the recipient of certain federal awards that do result in cash receipts or disbursements, including distributions of U.S. Department of Agriculture (USDA) Food Commodities, which are valued based on an USDA price list obtained from the Tennessee Department of Agriculture.

NOTE 4 - INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect rate as allowed under Uniform Guidance.

NOTE 5 - CONTINGENCIES

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agency could make a claim for reimbursement.



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

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

Honorable Mayor, Members of Board of Commissioners,
and City Manager of City of Alcoa
Alcoa, 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, budgetary comparisons for the general fund and general purpose school fund, and the aggregate remaining fund information of City of Alcoa, Tennessee (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Alcoa'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 City of Alcoa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Alcoa's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be material weaknesses.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alcoa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Alcoa's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Alcoa'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 City of Alcoa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 7, 2020



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

REPORT FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Honorable Mayor, Members of Board of Commissioners,
and City Manager of City of Alcoa
Alcoa, Tennessee

Report on Compliance for Each Major Federal Program

We have audited City of Alcoa's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



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Report on Internal Control Over Compliance

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

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

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

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

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 7, 2020

CITY OF ALCOA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) Yes X No

Major federal programs for the City of Alcoa, Tennessee for the fiscal year ended June 30, 2020 are:

Program Name	CFDA#
Child Nutrition Cluster	10.553 / 10.555
Highway Planning and Construction	20.205

Dollar threshold used to distinguish between Type A & Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

CITY OF ALCOA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Current Year Audit Findings:

2020-001 - Accrual of Long-Term Debt, Capital Leased Assets Amortization, Interest Rate Swap Liability and Other Postemployment Benefit Liability

Criteria or Specific Requirement - Generally accepted accounting principles (GAAP) requires that expenses and related liabilities be accurately reported when incurred in the government-wide and/or where applicable, in the fund financial statements.

Condition - During the audit it was noted that the City has recorded a capital lease obligation for the Civic Arts Center and had incorrectly recorded a portion of bonds issued by the Industrial Development Board of Blount County. This resulted in an increase of beginning net position of \$6,190,000. In addition, it was determined that the capital leased asset recorded for the Civic Arts Center had been incorrectly amortized. This resulted in a decrease of beginning net position of \$3,855,758.

During the audit it was also noted that the Alcoa City Schools other post-employment benefit liability, deferred outflows and deferred inflows was incorrectly recorded. This restatement resulted in a net decrease of beginning net position of \$2,139,220.

During the audit it was noted that the interest rate swap liability was incorrectly recorded in the Landfill Fund and should be recorded in the Water and Sewer Utility Fund. This change resulted in an increase of the interest rate swap liability and deferred outflows of resources of \$3,236,392 reported in the Water & Sewer Utility Fund and a decrease of the interest rate swap liability and deferred outflows of resources of \$3,236,392 reported in the Landfill Fund. The change had no effect on net position of the business-type activities, Water and Sewer Utility Fund or the Landfill Fund.

Cause and Effect - Communication and coordination related to the year-end CAFR preparation is critical to accurate financial statements. The improper recording of a transaction can result in misstatement of the financial statements.

Recommendations - We recommend that City and School personnel individually and jointly review the year-end Comprehensive Annual Financial Report (CAFR) to determine that all applicable entries are recorded accurately. We also recommend that management review transactions reported in the CAFR to determine proper existence, accuracy, valuation, completeness, rights and obligations.

Management's Response - We concur with the finding and recommendations. Management will continue to perform a detailed review of all transactions included in the CAFR .

Section III - Federal Award Findings

Current Year Audit Findings: None

CITY OF ALCOA
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2020

There were no findings reported in the prior year.



FINANCE DEPARTMENT

Municipal Building - 223 Associates Blvd., Alcoa, TN 37701

Office: 865-380-4773 Fax: 865-380-4785

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2020

2020-001: Accrual of Long-Term Debt, Capital Leased Assets Amortization, Interest Rate Swap Liability and Other Postemployment Benefit Liability

Contact Person Responsible for Corrective Action: Brittany Spence, CMFO

Corrective Action Planned: We concur with the facts of the finding. Management will continue to perform a detailed review of all transactions included in the CAFR.

Anticipated Completion Date: Management will implement the corrective actions immediately.

Signature:

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finance@cityofalcoa-tn.gov