

CITY OF COVINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION

**CITY OF COVINGTON
CITY OFFICIALS
YEAR ENDED JUNE 30, 2021**

Mayor

Justin Hanson

Aldermen

Minnie Bommer (1)
John Edwards (2)
Jeff Morris
Keith Phelps (1)
Chris Richardson (2)
Cyburn H. Sullivan IV
Danny Wallace
Johnetta Yarbrough

Board Members, Covington Electric System

James Baddour
Christy Hayden
Mary Jones
Keith McCalla
Cyburn H. Sullivan IV

CMFO Designee

Tina Dunn, Recorder - Treasurer

- (1) Left office during the year.
(2) Took office during the year.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Justin Hanson, Mayor
Members of the Board of Aldermen
City of Covington, Tennessee
Covington, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Tennessee as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Covington, Tennessee's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Covington Electric System Electric Fund, which is both a major fund and 37 percent, 37 percent, and 72 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the business-type activities, nor did we audit the financial statements of the Covington Electric System Defined Benefit Plan and the financial statements of the Covington Electric System 457 plan which collectively represent 21 percent, 21 percent, and 15 percent, respectively, of the assets, net position, and revenues/additions to net position of the aggregate remaining fund information.

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 did not audit the financial statements of the Covington Electric System Electric Fund, which is both a major fund and 37 percent, 37 percent, and 72 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the business-type activities, nor did we audit the financial statements of the Covington Electric System Defined Benefit Plan and the financial statements of the Covington Electric System 457 plan which collectively represent 21 percent, 21

percent, and 15 percent, respectively, of the assets, net position, and revenues/additions to net position of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Covington Electric System Electric Fund, Covington Electric System Defined Benefit Plan, and Covington Electric System 457 Plan, is based solely on the report of the other auditors. 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 of 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Tennessee as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan schedules, and OPEB schedule as listed in the table of contents 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing

the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Tennessee's basic financial statements. The introductory section, combining fund financial statements, schedules, nonaccounting information, and management's corrective action plan are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedules 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, nonaccounting information, and management's corrective action plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022, on our consideration of the City of Covington, Tennessee's internal control over financial reporting and on our and the other auditors 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 and the other auditors testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Covington, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Covington, Tennessee's internal control over financial reporting and compliance.

Whitcher Tankerly & Davis, PLLC

Covington, Tennessee
February 9, 2022

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

As management of the City of Covington, we offer readers of the City of Covington's financial statements this narrative overview and analysis of the financial activities of the City of Covington for the fiscal year ended June 30, 2021. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City of Covington exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$72,135,226 (net position). Of this amount, \$24,690,764 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,109,375 during the current fiscal year.
- As of the close of the current fiscal year, the City of Covington's governmental funds reported combined ending fund balances of \$5,801,725, an increase of \$1,525,834 from the prior year. Of the total fund balances, \$3,477,703 are unassigned and are available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,477,703 or 33% of the total General Fund expenditures.
- The City of Covington's total long-term debt decreased by \$4,930,918 (30%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Covington's basic financial statements. The City of Covington's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City of Covington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net amount 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 of Covington is improving or deteriorating.

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

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

Both of the government-wide financial statements distinguish functions of the City of Covington 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 of Covington include general government, public works, public safety, and health, welfare, recreation, and education. The business-type activities of the City of Covington include electric, gas, sewer, bio mass gasification, and water utility operations.

The government-wide financial statements include only the City of Covington itself (known as the primary government). The City operates electric, gas, sewer, bio mass gasification, and water utility systems. They are each reported as proprietary funds in the City's financial statements.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Covington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Covington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

The City of Covington maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Covington adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 and 31-37 of this report.

Proprietary funds. The City of Covington maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Covington uses an enterprise fund to account for each of its electric, gas, sewer, bio mass gasification, and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, gas, sewer, bio mass gasification, and water operations, all of which are considered to be major funds of the City of Covington.

The basic proprietary fund financial statements can be found on pages 22-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City is the trustee, or fiduciary, for its employees' pension plans.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-87 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Such information consists of information concerning the City of Covington's progress in funding its obligation to provide pension benefits to its employees.

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

Required supplementary information can be found on pages 88-98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining nonmajor fund statements can be found on pages 99-103 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Covington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$72,135,226 at the close of the most recent fiscal year.

City of Covington’s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other						
assets	\$ 12,321,731	\$ 10,324,837	\$ 32,624,245	\$ 30,248,660	\$ 44,945,976	\$ 40,573,497
Capital assets	<u>22,188,207</u>	<u>22,433,788</u>	<u>31,192,241</u>	<u>32,190,268</u>	<u>53,380,448</u>	<u>54,624,056</u>
Total assets	<u>34,509,938</u>	<u>32,758,625</u>	<u>63,816,486</u>	<u>62,438,928</u>	<u>98,326,424</u>	<u>95,197,553</u>
Deferred Outflows	<u>1,023,372</u>	<u>944,006</u>	<u>393,846</u>	<u>822,859</u>	<u>1,417,218</u>	<u>1,766,865</u>
Long-term liabilities						
outstanding	1,799,815	5,111,410	8,214,530	9,840,172	10,014,345	14,951,582
Other liabilities	<u>2,469,762</u>	<u>2,414,639</u>	<u>5,917,003</u>	<u>5,399,563</u>	<u>8,386,765</u>	<u>7,814,202</u>
Total liabilities	<u>4,269,577</u>	<u>7,526,049</u>	<u>14,131,533</u>	<u>15,239,735</u>	<u>18,401,110</u>	<u>22,765,784</u>
Deferred inflows	<u>7,400,926</u>	<u>5,326,347</u>	<u>1,806,380</u>	<u>770,988</u>	<u>9,207,306</u>	<u>6,097,335</u>
Net Position						
Net investment in						
capital assets	20,716,239	20,639,561	22,278,293	22,361,829	42,994,532	43,001,390
Restricted	1,911,446	1,925,808	2,538,484	1,421,599	4,449,930	3,347,407
Unrestricted	<u>1,235,122</u>	<u>(1,715,134)</u>	<u>23,455,642</u>	<u>23,467,636</u>	<u>24,690,764</u>	<u>21,752,502</u>
Total Net Position ...	<u>\$ 23,862,807</u>	<u>\$ 20,850,235</u>	<u>\$ 48,272,419</u>	<u>\$ 47,251,064</u>	<u>\$ 72,135,226</u>	<u>\$ 68,101,299</u>

By far the largest portion of the City of Covington’s net position (60%) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Covington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Covington’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, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City of Covington’s net position (6%), \$4,449,930 represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of \$24,690,764 may be used to meet the government’s ongoing obligations to citizens and creditors.

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

At the end of the current fiscal year, the City of Covington is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate business-type activities.

The government's net position increased by \$4,109,375 during the current fiscal year.

City of Covington's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program revenues						
Charges for services	\$ 2,667,145	\$ 2,505,619	\$ 26,842,226	\$ 26,923,170	\$ 29,509,371	\$ 29,428,789
Operating grants and contributions	957,475	1,021,963	-	202,419	957,475	1,224,382
Capital grants and contributions	199,064	438,292	403,594	-	602,658	438,292
General revenues						
Taxes	10,061,535	9,396,097	-	-	10,061,535	9,396,097
Investment earnings	2,285	59,748	26,553	301,649	28,838	361,397
Gain (loss) disposal of capital assets and insurance proceeds	57,189	4,513	(6,022)	6,192	51,167	10,705
Miscellaneous	<u>107,023</u>	<u>39,137</u>	<u>465,973</u>	<u>458,211</u>	<u>572,996</u>	<u>497,348</u>
Total revenues	<u>14,051,716</u>	<u>13,465,369</u>	<u>27,732,324</u>	<u>27,891,641</u>	<u>41,784,040</u>	<u>41,357,010</u>
Expenses						
General government	1,533,102	1,639,006	-	-	1,533,102	1,639,006
Public works	2,458,192	2,459,205	-	-	2,458,192	2,459,205
Public safety	5,418,920	5,562,788	-	-	5,418,920	5,562,788
Health, welfare, recreation, & education	1,906,439	1,881,021	-	-	1,906,439	1,881,021
Interest on long-term debt	54,213	45,870	-	-	54,213	45,870
Water	-	-	1,832,217	1,834,383	1,832,217	1,834,383
Sewer	-	-	2,393,434	2,098,799	2,393,434	2,098,799
Gas	-	-	2,591,830	2,870,555	2,591,830	2,870,555
Bio mass	-	-	55,935	166,660	55,935	166,660
Electric	-	-	<u>19,430,383</u>	<u>19,866,842</u>	<u>19,430,383</u>	<u>19,866,842</u>
Total expenses	<u>11,370,866</u>	<u>11,587,890</u>	<u>26,303,799</u>	<u>26,837,239</u>	<u>37,674,665</u>	<u>38,425,129</u>
Change in net position before transfers	2,680,850	1,877,479	1,428,525	1,054,402	4,109,375	2,931,881
Transfers	<u>407,170</u>	<u>395,723</u>	<u>(407,170)</u>	<u>(395,723)</u>	<u>-</u>	<u>-</u>
Change in net position	3,088,020	2,273,202	1,021,355	658,679	4,109,375	2,931,881
Net position - beginning, as restated	<u>20,774,787</u>	<u>18,577,033</u>	<u>47,251,064</u>	<u>46,592,385</u>	<u>68,025,851</u>	<u>65,169,418</u>
Net position - ending	<u>\$ 23,862,807</u>	<u>\$ 20,850,235</u>	<u>\$ 48,272,419</u>	<u>\$ 47,251,064</u>	<u>\$ 72,135,226</u>	<u>\$ 68,101,299</u>

Governmental activities: Governmental activities increased City of Covington's net position by \$3,088,020, thereby accounting for 75% of the increase in the net position of the City of Covington.

Business-type activities: Business-type activities increased the City of Covington's net position by \$1,021,355, accounting for 25% of the increase in the total government's net position.

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Covington's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Covington's financing requirements. In particular, 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.

As of the end of the current fiscal year, the City of Covington's governmental funds reported combined ending fund balances of \$5,801,725 an increase of \$1,525,834 from the prior year. Of the total fund balances, \$3,477,703 are unassigned.

The General Fund is the chief operating fund of the City of Covington. At the end of the current fiscal year, the fund balance of the General Fund was \$3,757,383 of which \$3,477,703 is unassigned. Unassigned fund balance represents 33% of total General Fund expenditures.

The fund balance of the City of Covington's General Fund increased by \$1,342,860 during the current fiscal year. Revenues were above projected revenues in the amount of \$608,896.

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

Water Fund:

The unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$3,790,680. The system's net position increased by \$669,319. A significant contributing factor was the receipt of grant revenue in the amount of approximately \$404,000.

Sewer Fund:

The unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to \$4,671,842. The system's net position increased by \$163,544. There were no significant changes from last year.

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

Gas Utility Fund:

The unrestricted net position of the Gas Utility Fund at the end of the fiscal year amounted to \$9,934,814. The system's net position decreased by \$49,566. This was due to the increase in the cost of gas.

Electric System's Electric Fund:

The unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$5,049,518. The system's net position increased by \$165,885. Significant contributing factors were the decrease in operating revenues by approximately \$516,000 and the decrease in operating expenses by approximately \$435,000.

Bio Mass Gasification Fund:

The unrestricted net position of the Bio Mass Gasification Fund at the end of the fiscal year amounted to \$8,788. The system's net position increased by \$72,173. The increase was due to the Bio Mass plant capital asset being reclassified as held for future use. As such, there was no depreciation expense on the plant for the year ended June 30, 2021.

General Fund Budgetary Highlights

During the fiscal year, there were amendments to our General Fund budget to decrease expenditures by \$157,500 (net of cost reimbursements from proprietary funds). The actual total revenues versus the final budgeted total revenues was positive by \$608,896 and the actual total expenditures versus the total final budgeted expenditures was positive by \$941,895. The actual change in fund balance versus the final budgeted change in fund balance was positive by \$1,752,031.

Capital Asset and Debt Administration

Capital Assets. The City of Covington's investment in capital assets for its governmental and business type activities as of June 30, 2021, amounts to \$53,380,448 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, distribution and collection systems, and construction in progress. The City of Covington's investment in capital assets for Governmental Activities is \$22,188,207, (41%) and for Business-Type Activities is \$31,192,241, (59%).

CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021

City of Covington's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 3,246,197	\$ 3,246,197	\$ 400,096	\$ 400,096	\$ 3,646,293	\$ 3,646,293
Buildings	3,242,391	3,398,534	4,712,979	5,021,985	7,955,370	8,420,519
Improvements	7,782,180	8,001,225	-	-	7,782,180	8,001,225
Equipment	3,366,040	3,208,212	648,027	724,922	4,014,067	3,933,134
Infrastructure	4,551,399	4,599,620	-	-	4,551,399	4,599,620
Unamortized acquisition adjustment	-	-	28,191	52,356	28,191	52,356
Biomass plant	-	-	-	1,708,560	-	1,708,560
Meters held for future use	-	-	1,708,563	2,814,855	1,708,563	2,814,855
Distribution and collection systems	-	-	23,670,484	21,411,743	23,670,484	21,411,743
Construction in progress	-	-	<u>23,901</u>	<u>55,751</u>	<u>23,901</u>	<u>55,751</u>
Total	<u>\$ 22,188,207</u>	<u>\$ 22,453,788</u>	<u>\$ 31,192,241</u>	<u>\$ 32,190,268</u>	<u>\$ 53,380,448</u>	<u>\$ 54,644,056</u>

Significant contributing factors in the change in capital assets were the acquisition of capital assets in Governmental Activities and Business-Type Activities of \$1,055,374 and \$1,011,374, respectively, and depreciation expense in Governmental Activities and Business-Type Activities of \$1,300,954 and \$2,006,389, respectively.

Additional information on the City of Covington's capital assets can be found in note 5 of this report.

Long-term debt. At the end of the current fiscal year, the City of Covington has total long-term debt of \$11,457,473. Of this amount, \$5,541,970 comprises debt backed by the full faith and credit of the government, \$4,835,752 represents bonds and leases secured by specified revenue sources (i.e., revenue bonds), and \$1,079,751 represents estimated liabilities for employee pension plan, compensated absences, and OPEB liability.

City of Covington's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Obligation Bonds, Notes and Leases	\$ 1,471,970	\$ 1,794,227	\$ 4,070,000	\$ 4,293,000	\$ 5,541,970	\$ 6,087,227
Pension, Compensated Absences, OPEB	769,112	3,786,775	310,639	959,910	1,079,751	4,746,685
Revenue Bonds and Leases	-	-	<u>4,835,752</u>	<u>5,554,479</u>	<u>4,835,752</u>	<u>5,554,479</u>
Total	<u>\$ 2,241,082</u>	<u>\$ 5,581,002</u>	<u>\$ 9,216,391</u>	<u>\$ 10,807,389</u>	<u>\$ 11,457,473</u>	<u>\$ 16,388,391</u>

The City of Covington's total long-term debt decreased by \$4,930,918 (30%) during the current fiscal year. The most significant contributing factor was the decrease in pension liabilities by approximately \$3,800,000 due to increased investment income in the Pension Fund.

**CITY OF COVINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2021**

The City has no legal debt limit. Additional information on the City of Covington's long-term debt can be found in note 6 of this report.

Economic Factors and Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$3,477,703. The City of Covington has projected a \$34,090 increase in the 2021-22 fiscal year budget.

- Sales tax collections are projected to increase due to no change during the COVID-19 pandemic.
- Water and sewer rates will increase by 1.4% in FY 2021-22 beginning with July consumption.
- Natural gas rates will increase or decrease on a monthly basis according to the wholesale cost of gas to the City.
- The TDOT Grant for the James Street Project will continue.
- The 2018 Transportation Alternatives Program Grant will begin with Phase 1 for the construction of sidewalks along the west side of Hwy 51 from Tatlock Avenue to Lanny Bridges Road and along east side of Hwy 51 from Lanny Bridges to TN College of Applied Technology.
- Employees are projected to receive salary increases for the increments in the salary study report.
- Street paving will begin with the issuance of general obligation bonds in the amount of \$1,225,000 and the City will receive a grant in the amount of \$250,000.
- The City will receive \$2.7 million in American Rescue Plan Funding. This funding will be received in two increments.
- Street lights will be converted to LED lighting with the issuance of general obligation capital notes in an amount not to exceed \$869,000.

Requests for Information

This financial report is designed to provide a general overview of the City of Covington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Recorder-Treasurer, 200 West Washington Avenue, P.O. Box 768, Covington, TN 38019.

CITY OF COVINGTON, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 6,325,088	\$ 26,336,481	\$ 32,661,569
Receivables			
Accounts receivable	227,119	2,847,026	3,074,145
Property taxes	3,006,160	-	3,006,160
Due from Tipton County, Tennessee	523,857	-	523,857
Due from State of Tennessee	478,232	-	478,232
Grants receivable	114,609	53,447	168,056
Other	1,019,523	568	1,020,091
Inventories	52,180	464,369	516,549
Prepayments and other assets	-	227,953	227,953
Restricted assets			
Cash for operation and maintenance	-	771,495	771,495
Cash for debt service	-	340,260	340,260
Cash for construction	-	87	87
Customer deposits	-	21,167	21,167
Net pension asset	574,963	1,561,392	2,136,355
Capital assets, net	<u>22,188,207</u>	<u>31,192,241</u>	<u>53,380,448</u>
TOTAL ASSETS	<u>34,509,938</u>	<u>63,816,486</u>	<u>98,326,424</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,004,247	389,786	1,394,033
OPEB	<u>19,125</u>	<u>4,060</u>	<u>23,185</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,023,372</u>	<u>393,846</u>	<u>1,417,218</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 35,533,310</u>	<u>\$ 64,210,332</u>	<u>\$ 99,743,642</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
LIABILITIES			
Accounts payable	\$ 332,905	\$ 3,206,721	\$ 3,539,626
Accrued expenses	363,170	347,817	710,987
Utility customer deposits	921,550	1,412,672	2,334,222
Internal balances	60,264	(60,264)	-
Unearned revenue			
Grants	295,481	-	295,481
Rents	55,125	-	55,125
Other	-	8,196	8,196
Compensated absences			
Due within one year	6,614	28,777	35,391
Due in more than one year	654,736	258,988	913,724
OPEB liability due in more than one year	107,762	22,874	130,636
Bonds, notes, and capital lease obligations			
Due within one year	434,653	973,084	1,407,737
Due in more than one year	<u>1,037,317</u>	<u>7,932,668</u>	<u>8,969,985</u>
TOTAL LIABILITIES	<u>4,269,577</u>	<u>14,131,533</u>	<u>18,401,110</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues			
Property taxes	2,748,971	-	2,748,971
Payments in lieu of taxes	781,780	-	781,780
Pensions	3,865,924	1,805,477	5,671,401
OPEB	<u>4,251</u>	<u>903</u>	<u>5,154</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,400,926</u>	<u>1,806,380</u>	<u>9,207,306</u>
NET POSITION			
Net investment in capital assets	20,716,239	22,278,293	42,994,532
Restricted for			
Operation and maintenance	-	771,495	771,495
Street expenses	130,562	-	130,562
Solid Waste/Sanitation expenses	1,298,284	-	1,298,284
Drug enforcement	54,253	-	54,253
Grants and donations	118,702	-	118,702
Debt service	-	335,447	335,447
Capital assets	-	87	87
Pension	-	1,431,435	1,431,435
Perpetual care (nonexpendable)	309,645	-	309,645
Unrestricted	<u>1,235,122</u>	<u>23,455,642</u>	<u>24,690,764</u>
TOTAL NET POSITION	<u>23,862,807</u>	<u>48,272,419</u>	<u>72,135,226</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 35,533,310</u>	<u>\$ 64,210,332</u>	<u>\$ 99,743,642</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
PROGRAM ACTIVITIES							
Governmental activities							
General government	\$ 1,533,102	\$ -	\$ 190,845	\$ -	\$ (1,342,257)	\$ -	\$ (1,342,257)
Public safety	5,418,920	361,121	321,784	-	(4,736,015)	-	(4,736,015)
Public works	2,458,192	1,760,843	349,142	47,362	(300,845)	-	(300,845)
Health, welfare, recreation, and education	1,906,439	545,181	95,704	151,702	(1,113,852)	-	(1,113,852)
Interest on long-term debt	54,213	-	-	-	(54,213)	-	(54,213)
TOTAL GOVERNMENTAL ACTIVITIES	<u>11,370,866</u>	<u>2,667,145</u>	<u>957,475</u>	<u>199,064</u>	<u>(7,547,182)</u>	<u>-</u>	<u>(7,547,182)</u>
Business-type activities							
Water	1,832,217	2,053,268	-	403,594	-	624,645	624,645
Sewer	2,393,434	2,593,687	-	-	-	200,253	200,253
Gas	2,591,830	2,569,022	-	-	-	(22,808)	(22,808)
Bio Mass Gasification	55,935	-	-	-	-	(55,935)	(55,935)
Electric	19,430,383	19,626,249	-	-	-	195,866	195,866
TOTAL BUSINESS-TYPE ACTIVITIES	<u>26,303,799</u>	<u>26,842,226</u>	<u>-</u>	<u>403,594</u>	<u>-</u>	<u>942,021</u>	<u>942,021</u>
TOTAL GOVERNMENT	<u>\$ 37,674,665</u>	<u>\$ 29,509,371</u>	<u>\$ 957,475</u>	<u>\$ 602,658</u>	<u>(7,547,182)</u>	<u>942,021</u>	<u>(6,605,161)</u>
GENERAL REVENUES							
Taxes							
Property					3,666,992	-	3,666,992
Sales					5,406,576	-	5,406,576
Privilege					941,852	-	941,852
Income					46,115	-	46,115
Investment earnings					2,285	26,553	28,838
Gain (loss) on capital assets and insurance proceeds					57,189	(6,022)	51,167
Miscellaneous					107,023	465,973	572,996
TOTAL GENERAL REVENUES					<u>10,228,032</u>	<u>486,504</u>	<u>10,714,536</u>
TRANSFERS					<u>407,170</u>	<u>(407,170)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>10,635,202</u>	<u>79,334</u>	<u>10,714,536</u>
CHANGE IN NET POSITION					3,088,020	1,021,355	4,109,375
NET POSITION							
Balance at July 1, 2020, as restated					<u>20,774,787</u>	<u>47,251,064</u>	<u>68,025,851</u>
Balance at June 30, 2021					<u>\$ 23,862,807</u>	<u>\$ 48,272,419</u>	<u>\$ 72,135,226</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>GENERAL</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 4,069,736	\$ 2,255,352	\$ 6,325,088
Receivables			
Accounts receivable	-	227,119	227,119
Property taxes	3,006,160	-	3,006,160
Due from Tipton County, Tennessee	523,857	-	523,857
Due from State of Tennessee	424,999	53,233	478,232
Grants receivable	107,030	7,579	114,609
Other	1,019,523	-	1,019,523
Inventories	11,903	40,278	52,181
Due from other funds	<u>4,825</u>	<u>2,173</u>	<u>6,998</u>
TOTAL ASSETS	<u>\$ 9,168,033</u>	<u>\$ 2,585,734</u>	<u>\$11,753,767</u>
LIABILITIES			
Accounts payable	\$ 133,155	\$ 199,752	\$ 332,907
Accrued expenses	319,870	22,433	342,303
Utility customer deposits	921,550	-	921,550
Due to other funds	40,253	5,472	45,725
Unearned revenue			
Grants	39,857	255,624	295,481
Rents	-	55,125	55,125
Advances from other funds	<u>18,551</u>	<u>2,986</u>	<u>21,537</u>
TOTAL LIABILITIES	<u>1,473,236</u>	<u>541,392</u>	<u>2,014,628</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	2,956,804	-	2,956,804
Payments in lieu of taxes	810,631	-	810,631
State revenues	8,922	-	8,922
Grants	82,800	-	82,800
Penalties and interest on property taxes	<u>78,257</u>	<u>-</u>	<u>78,257</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,937,414</u>	<u>-</u>	<u>3,937,414</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2021

	<u>GENERAL</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
FUND BALANCE			
Nonspendable	\$ 11,903	\$ 349,923	\$ 361,826
Restricted	28,323	1,490,678	1,519,001
Committed	-	189,380	189,380
Assigned	239,454	14,361	253,815
Unassigned	<u>3,477,703</u>	<u>-</u>	<u>3,477,703</u>
TOTAL FUND BALANCE	<u>3,757,383</u>	<u>2,044,342</u>	<u>5,801,725</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
	<u>\$ 9,168,033</u>	<u>\$ 2,585,734</u>	<u>\$11,753,767</u>

See notes to financial statements

**CITY OF COVINGTON, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 5,801,725
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	22,188,207
Deferred outflows of resources related to pensions and OPEB in which the consumption of net position will occur in a future period; therefore, it is not reported in governmental funds balance sheet	1,023,372
Net pension asset is not a financial resource and therefore is not reported in the governmental funds balance sheet	574,962
Interest payable on long term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(20,867)
Deferred inflows of resources related to unavailable revenues are not available to pay for current period expenditures and therefore are deferred in the governmental funds balance sheet	406,664
Deferred inflows of resources related to pensions and OPEB in which the acquisition of net position will occur in a future period; therefore, it is not reported in governmental funds balance sheet	(3,870,174)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(1,471,970)
Compensated absences and OPEB liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(769,112)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 23,862,807</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>GENERAL</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES			
Local taxes	\$ 9,083,943	\$ -	\$ 9,083,943
Licenses and permits	79,658	-	79,658
Intergovernmental revenues	1,952,753	502,068	2,454,821
Charges for services	317,049	1,995,116	2,312,165
Fines, forfeits, and penalties	166,131	32,012	198,143
Other revenues	<u>114,862</u>	<u>42,588</u>	<u>157,450</u>
TOTAL REVENUES	<u>11,714,396</u>	<u>2,571,784</u>	<u>14,286,180</u>
EXPENDITURES			
Current			
General government	1,861,510	-	1,861,510
Public safety	6,529,580	8,629	6,538,209
Public works	663,241	1,943,441	2,606,682
Health, welfare, recreation and education ..	1,230,833	610,999	1,841,832
Debt service	<u>388,512</u>	<u>180,217</u>	<u>568,729</u>
TOTAL EXPENDITURES	<u>10,673,676</u>	<u>2,743,286</u>	<u>13,416,962</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,040,720</u>	<u>(171,502)</u>	<u>869,218</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	537,487	284,423	821,910
Proceeds from notes and capital lease	143,337	48,920	192,257
Proceeds from capital asset sales and insurance	33,839	23,350	57,189
Transfers out	<u>(412,523)</u>	<u>(2,217)</u>	<u>(414,740)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>302,140</u>	<u>354,476</u>	<u>656,616</u>
NET CHANGE IN FUND BALANCE	1,342,860	182,974	1,525,834
FUND BALANCE			
Balance at July 1, 2020	<u>2,414,523</u>	<u>1,861,368</u>	<u>4,275,891</u>
Balance at June 30, 2021	<u>\$ 3,757,383</u>	<u>\$ 2,044,342</u>	<u>\$ 5,801,725</u>

See notes to financial statements

**CITY OF COVINGTON, TENNESSEE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCE - TOTAL	
GOVERNMENTAL FUNDS	\$ 1,525,834
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays capitalized	1,055,374
Depreciation expense	(1,300,954)
 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.	
Proceeds	(191,368)
Principal payments	513,625
 The amount of expense for compensated absences and OPEB reported in the statement of activities is less than the amount reported as expenditures in governmental funds.	
	13,125
 The amount of expense for pension cost reported in the statement of activities is less than the amount reported as expenditures in governmental funds	
	1,764,050
 Some property tax and other revenues do not provide current financial resources and are reported as deferred inflows of resources in the governmental funds. This is the net difference between the amounts deferred in the current and prior year.	
	<u>(291,666)</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 3,088,020</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTALS
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,856,327	\$ 4,675,269	\$10,167,322	\$ 8,798	\$ 7,628,765	\$ 26,336,481
Receivables						
Trade	297,083	287,502	174,652	-	2,087,789	2,847,026
Grants	53,447	-	-	-	-	53,447
Other	-	-	-	-	568	568
Due from other funds	-	11,145	21,454	-	-	32,599
Inventories	30,273	3,593	24,063	-	406,440	464,369
Prepayments and other current assets	-	-	-	-	209,478	209,478
TOTAL CURRENT ASSETS	4,237,130	4,977,509	10,387,491	8,798	10,333,040	29,943,968
NONCURRENT ASSETS						
Restricted Assets						
Cash and cash equivalents on deposit						
Operation and maintenance ...	398,170	373,325	-	-	-	771,495
Debt service	-	-	-	-	340,260	340,260
Construction	-	87	-	-	-	87
Customer deposits	-	-	-	-	21,167	21,167
Net pension asset	48,394	44,179	38,501	-	1,430,318	1,561,392
Total Restricted Assets	446,564	417,591	38,501	-	1,791,745	2,694,401
Capital Assets						
Not being depreciated						
Land, land rights and improvements	12,015	51,191	116,178	-	220,712	400,096
Construction in process	-	-	-	-	23,901	23,901
Plant held for future use	-	-	-	1,708,563	-	1,708,563
	<u>12,015</u>	<u>51,191</u>	<u>116,178</u>	<u>1,708,563</u>	<u>244,613</u>	<u>2,132,560</u>
Being depreciated						
Buildings	3,209,454	10,392,165	927,592	-	-	14,529,211
Distribution and collection systems	11,545,248	14,777,585	2,814,157	-	14,177,750	43,314,740
General plant	-	-	-	-	7,072,308	7,072,308
Transmission plant	-	-	-	-	2,161,810	2,161,810
Equipment	249,225	767,689	595,531	78,374	-	1,690,819
Unamortized acquisition adjustment	-	-	-	-	241,642	241,642
Less accumulated depreciation/amortization ...	(9,415,627)	(15,140,296)	(2,708,203)	(58,780)	(12,627,942)	(39,950,849)
Total Capital Assets, Net of Accumulated Depreciation/ Amortization	5,600,315	10,848,334	1,745,255	1,728,157	11,270,181	31,192,241
Other Assets						
Unamortized debt expense	-	-	-	-	4,435	4,435
Advances to other funds	-	-	30,243	-	-	30,243
Other	-	-	-	-	14,040	14,040
Total Other Assets	-	-	30,243	-	18,475	48,718
TOTAL NONCURRENT ASSETS	6,046,879	11,265,925	1,813,999	1,728,157	13,080,401	33,935,360

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED
JUNE 30, 2021

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTALS
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pensions	\$ 82,980	\$ 80,581	\$ 65,635	\$ -	\$ 160,590	\$ 389,786
Deferred outflows- OPEB	1,470	1,340	1,250	-	-	4,060
TOTAL DEFERRED OUTFLOWS OF RESOURCES	84,450	81,921	66,885	-	160,590	393,846
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$10,368,459</u>	<u>\$ 16,325,355</u>	<u>\$ 12,268,375</u>	<u>\$ 1,736,955</u>	<u>\$ 23,574,031</u>	<u>\$ 64,273,175</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Accounts payable	\$ 49,113	\$ 40,809	\$ 200,774	\$ 11	\$ 2,916,015	\$ 3,206,722
Accrued expenses	106,090	44,096	56,927	-	121,978	329,091
Payroll and other taxes	8,640	10,391	(5,119)	-	-	13,912
Current maturities of long-term debt	202,811	366,880	182,393	81,000	-	833,084
Due to other funds	2,578	-	-	-	-	2,578
Customer deposits	-	-	-	-	1,391,505	1,391,505
Current portion of compensated absences	7,704	3,433	6,772	-	10,868	28,777
TOTAL CURRENT LIABILITIES	<u>376,936</u>	<u>465,609</u>	<u>441,747</u>	<u>81,011</u>	<u>4,440,366</u>	<u>5,805,669</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS						
Customer deposits	-	-	-	-	21,167	21,167
Accrued interest	-	-	-	-	4,813	4,813
Current maturities of long-term debt	-	-	-	-	140,000	140,000
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,980</u>	<u>165,980</u>
NONCURRENT LIABILITIES						
Bonds payable, less current maturities	863,190	3,425,219	-	1,614,000	300,000	6,202,409
Unamortized bond premium (discount)	-	10,809	-	-	(2,613)	8,196
Capital lease, less current maturities	576,753	576,753	576,753	-	-	1,730,259
OPEB liability	8,282	7,551	7,041	-	-	22,874
Compensated absences, less current portion	69,325	30,902	60,951	-	97,811	258,989
TOTAL NONCURRENT LIABILITIES	<u>1,517,550</u>	<u>4,051,234</u>	<u>644,745</u>	<u>1,614,000</u>	<u>395,198</u>	<u>8,222,727</u>
TOTAL LIABILITIES	<u>1,894,486</u>	<u>4,516,843</u>	<u>1,086,492</u>	<u>1,695,011</u>	<u>5,001,544</u>	<u>14,194,376</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - CONTINUED
JUNE 30, 2021

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTALS
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - pensions	\$ 326,868	\$ 293,796	\$ 260,403	\$ -	\$ 924,410	\$ 1,805,477
Deferred inflows - OPEB	<u>327</u>	<u>298</u>	<u>278</u>	<u>-</u>	<u>-</u>	<u>903</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>327,195</u>	<u>294,094</u>	<u>260,681</u>	<u>-</u>	<u>924,410</u>	<u>1,806,380</u>
NET POSITION						
Net investment in capital assets . .	3,957,561	6,468,674	986,108	33,156	10,832,794	22,278,293
Restricted for operation and maintenance	398,170	373,325	-	-	-	771,495
Restricted for debt service	-	-	-	-	335,447	335,447
Restricted for construction	-	87	-	-	-	87
Restricted for pension	367	490	280	-	1,430,318	1,431,455
Unrestricted	<u>3,790,680</u>	<u>4,671,842</u>	<u>9,934,814</u>	<u>8,788</u>	<u>5,049,518</u>	<u>23,455,642</u>
TOTAL NET POSITION	<u>8,146,778</u>	<u>11,514,418</u>	<u>10,921,202</u>	<u>41,944</u>	<u>17,648,077</u>	<u>48,272,419</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$10,368,459</u>	<u>\$16,325,355</u>	<u>\$12,268,375</u>	<u>\$ 1,736,955</u>	<u>\$ 23,574,031</u>	<u>\$ 64,273,175</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTALS
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	
OPERATING REVENUES						
Charges for services	\$ 2,053,268	\$ 2,593,687	\$ 2,569,022	\$ -	\$ 19,626,249	\$ 26,842,226
Miscellaneous	<u>77,594</u>	<u>39,467</u>	<u>27,686</u>	<u>-</u>	<u>321,225</u>	<u>465,972</u>
TOTAL OPERATING REVENUES	<u>2,130,862</u>	<u>2,633,154</u>	<u>2,596,708</u>	<u>-</u>	<u>19,947,474</u>	<u>27,308,198</u>
OPERATING EXPENSES						
Purification	416,134	-	-	-	-	416,134
Transmission and distribution	643,138	-	427,958	-	-	1,071,096
Operations expense	-	-	-	25,472	1,788,949	1,814,421
Collection	-	458,926	-	-	-	458,926
Treatment and disposal	-	790,483	-	-	-	790,483
Purchased gas and power	-	-	1,535,915	-	15,700,874	17,236,789
General and administrative	404,972	313,518	354,267	-	-	1,072,757
Maintenance expense	-	-	-	-	1,032,641	1,032,641
Taxes	-	-	-	-	91,139	91,139
Depreciation and amortization	<u>307,674</u>	<u>678,705</u>	<u>144,660</u>	<u>7,837</u>	<u>788,540</u>	<u>1,927,416</u>
TOTAL OPERATING EXPENSES	<u>1,771,918</u>	<u>2,241,632</u>	<u>2,462,800</u>	<u>33,309</u>	<u>19,402,143</u>	<u>25,911,802</u>
OPERATING INCOME (LOSS)	<u>358,944</u>	<u>391,522</u>	<u>133,908</u>	<u>(33,309)</u>	<u>545,331</u>	<u>1,396,396</u>
NONOPERATING REVENUES (EXPENSES)						
Interest earned and other revenue	2,080	2,434	8,519	8	13,513	26,554
Contributions for economic development	-	-	(105,620)	-	-	(105,620)
Other expenses	-	-	-	-	(7,598)	(7,598)
Gain (loss) on disposal of capital assets	-	-	(4,939)	-	(1,083)	(6,022)
Interest expense	<u>(60,299)</u>	<u>(151,802)</u>	<u>(23,410)</u>	<u>(22,626)</u>	<u>(20,642)</u>	<u>(278,779)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(58,219)</u>	<u>(149,368)</u>	<u>(125,450)</u>	<u>(22,618)</u>	<u>(15,810)</u>	<u>(371,465)</u>
INCOME (LOSS) BEFORE CONTRI- BUTIONS AND TRANSFERS	<u>300,725</u>	<u>242,154</u>	<u>8,458</u>	<u>(55,927)</u>	<u>529,521</u>	<u>1,024,931</u>
CAPITAL CONTRIBUTIONS	<u>403,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,594</u>
TRANSFERS						
Transfers in	-	-	-	128,100	-	128,100
Transfers out	<u>(35,000)</u>	<u>(78,610)</u>	<u>(58,024)</u>	<u>-</u>	<u>(363,636)</u>	<u>(535,270)</u>
NET TRANSFERS	<u>(35,000)</u>	<u>(78,610)</u>	<u>(58,024)</u>	<u>128,100</u>	<u>(363,636)</u>	<u>(407,170)</u>
CHANGE IN NET POSITION	<u>669,319</u>	<u>163,544</u>	<u>(49,566)</u>	<u>72,173</u>	<u>165,885</u>	<u>1,021,355</u>
NET POSITION						
Balance at July 1, 2020	<u>7,477,459</u>	<u>11,350,874</u>	<u>10,970,768</u>	<u>(30,229)</u>	<u>17,482,192</u>	<u>47,251,064</u>
Balance at June 30, 2021	<u>\$ 8,146,778</u>	<u>\$11,514,418</u>	<u>\$10,921,202</u>	<u>\$ 41,944</u>	<u>\$ 17,648,077</u>	<u>\$ 48,272,419</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS						
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 2,099,575	\$ 2,726,434	\$ 2,573,126	\$ -	\$19,822,412	\$ 27,221,547
Cash payments to suppliers for goods and services	(961,331)	(1,113,929)	(1,886,775)	(25,462)	(18,496,998)	(22,484,495)
Cash payments to employees for services	(449,778)	(420,465)	(391,234)	-	Included above	(1,261,477)
Cash payments to General Fund for share of joint costs	(120,000)	(132,397)	(120,000)	-	-	(372,397)
Cash payments to General Fund for payments in lieu of taxes (transfers)	(35,000)	(79,619)	(52,000)	-	(363,636)	(530,255)
Cash payments for other taxes	(31,268)	(30,018)	(27,392)	-	(91,139)	(179,817)
Cash payments for economic development	-	-	(105,620)	-	-	(105,620)
Customer deposits received	-	-	-	-	241,122	241,122
Customer deposits refunded	-	-	-	-	(207,380)	(207,380)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	502,198	950,006	(9,895)	(25,462)	904,381	2,321,228
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer in	-	-	-	128,100	-	128,100
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	128,100	-	128,100
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(611,697)	(18,035)	(44,445)	-	(420,550)	(1,094,727)
Disposal of capital assets	-	-	3,850	-	156,228	160,078
Plant removal costs	-	-	-	-	(27,089)	(27,089)
Materials salvaged from retirements	-	-	-	-	16,546	16,546
Capital contributions	352,547	-	-	-	-	352,547
Principal paid on capital debt	(198,734)	(350,855)	(179,139)	(78,000)	(135,000)	(941,728)
Interest and fees paid on capital debt	(60,299)	(153,216)	(23,410)	(22,626)	(19,614)	(279,165)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(518,183)	(522,106)	(243,144)	(100,626)	(429,479)	(1,813,538)

See notes to financial statements

**CITY OF COVINGTON, TENNESSEE
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - CONTINUED
YEAR ENDED JUNE 30, 2021**

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTALS
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	\$ 2,080	\$ 2,434	\$ 8,519	\$ 8	\$ 13,513	\$ 26,554
Decrease in advances to other funds	-	-	206,601	-	-	206,601
(Expenses) for other nonoperating expenses	-	-	-	-	(7,598)	(7,598)
(Increase) in other assets	-	-	-	-	(4,551)	(4,551)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,080</u>	<u>2,434</u>	<u>215,120</u>	<u>8</u>	<u>1,364</u>	<u>221,006</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,905)	430,334	(37,919)	2,020	476,266	856,796
CASH AND CASH EQUIVALENTS						
Beginning of year	<u>4,268,402</u>	<u>4,618,347</u>	<u>10,205,241</u>	<u>6,778</u>	<u>7,492,759</u>	<u>26,591,527</u>
End of year	<u>\$ 4,254,497</u>	<u>\$ 5,048,681</u>	<u>\$10,167,322</u>	<u>\$ 8,798</u>	<u>\$ 7,969,025</u>	<u>\$ 27,448,323</u>
RECONCILIATION OF ENDING CASH AND CASH EQUIVALENTS TO LINE ITEMS IN STATEMENT OF NET POSITION						
Unrestricted cash and cash equivalents	\$ 3,856,327	\$ 4,675,269	\$10,167,322	\$ 8,798	\$ 7,628,765	\$ 26,336,481
Restricted cash and cash equivalents	<u>398,170</u>	<u>373,412</u>	-	-	<u>340,260</u>	<u>1,111,842</u>
Cash and cash equivalents	<u>\$ 4,254,497</u>	<u>\$ 5,048,681</u>	<u>\$10,167,322</u>	<u>\$ 8,798</u>	<u>\$ 7,969,025</u>	<u>\$ 27,448,323</u>

See notes to financial statements

**CITY OF COVINGTON, TENNESSEE
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS - CONTINUED
YEAR ENDED JUNE 30, 2021**

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTALS
	WATER FUND	SEWER FUND	GAS UTILITY FUND	BIO MASS GASIFICATION FUND	COVINGTON ELECTRIC SYSTEM ELECTRIC FUND	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 358,944	\$ 391,522	\$ 133,908	\$ (33,309)	\$ 545,331	\$ 1,396,396
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	307,674	678,705	144,660	7,837	789,965	1,928,841
Transfer (out)	(35,000)	(78,610)	(58,024)	-	(363,636)	(535,270)
Economic development payments	-	-	(105,620)	-	-	(105,620)
Bad debts (recoveries)	(3,325)	(5,847)	(97)	-	-	(9,269)
Net change in pension deferred inflows/outflows	167,855	150,917	119,871	-	(52,553)	386,090
Net change in OPEB inflows/outflows	(1,143)	(1,042)	(972)	-	-	(3,157)
Changes in assets and liabilities						
Receivables	(27,962)	99,127	(23,485)	-	(125,062)	(77,382)
Inventory	4,049	1,742	(6,592)	-	(146,564)	(147,365)
Prepayments and other current assets	-	-	-	-	(19,481)	(19,481)
Accounts payable, accrued expenses, and payroll and other taxes	13,207	(19,806)	53,269	10	242,639	289,319
Compensated absences and pension benefits	(271,938)	(255,288)	(263,792)	-	-	(791,018)
Interfund accounts	(10,163)	(11,414)	(3,021)	-	-	(24,598)
Customer deposits	-	-	-	-	33,742	33,742
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 502,198</u>	<u>\$ 950,006</u>	<u>\$ (9,895)</u>	<u>\$ (25,462)</u>	<u>\$ 904,381</u>	<u>\$ 2,321,228</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
None						

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2021

	TRUST FUNDS			
	CITY OF COVINGTON PENSION FUND	COVINGTON ELECTRIC SYSTEM DEFINED BENEFIT PLAN	COVINGTON ELECTRIC SYSTEM 457 PLAN	TOTALS
ASSETS				
Cash and cash equivalents	\$ 454	\$ 7,141	\$ -	\$ 7,595
Investments	<u>23,062,259</u>	<u>5,869,144</u>	<u>972,667</u>	<u>29,904,070</u>
TOTAL ASSETS	<u>\$ 23,062,713</u>	<u>\$ 5,876,285</u>	<u>\$ 972,667</u>	<u>\$ 29,911,665</u>
NET POSITION				
Restricted for pension benefits . .	<u>\$ 23,062,713</u>	<u>\$ 5,876,285</u>	<u>\$ 972,667</u>	<u>\$ 29,911,665</u>
NET POSITION	<u>\$ 23,062,713</u>	<u>\$ 5,876,285</u>	<u>\$ 972,667</u>	<u>\$ 29,911,665</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	<u>TRUST FUNDS</u>			<u>TOTALS</u>
	<u>CITY OF COVINGTON PENSION FUND</u>	<u>COVINGTON ELECTRIC SYSTEM DEFINED BENEFIT PLAN</u>	<u>COVINGTON ELECTRIC SYSTEM 457 PLAN</u>	
ADDITIONS				
Contributions - employer	\$ 1,200,000	\$ 47,610	\$ 69,211	\$ 1,316,821
Investment earnings				
Dividends and interest	290,912	105,894	30,230	427,036
Realized gains on investments	5,594,296	50,591	-	5,644,887
Net increase (decrease) in fair value of investments	<u>(568,207)</u>	<u>1,133,035</u>	<u>175,243</u>	<u>740,071</u>
Total investment earnings ..	<u>5,317,001</u>	<u>1,289,520</u>	<u>205,473</u>	<u>6,811,994</u>
TOTAL ADDITIONS	<u>6,517,001</u>	<u>1,337,130</u>	<u>274,684</u>	<u>8,128,815</u>
DEDUCTIONS				
Benefits paid	908,170	169,086	52,662	1,129,918
Administrative expenses	<u>86,868</u>	<u>42,620</u>	<u>2,169</u>	<u>131,657</u>
TOTAL DEDUCTIONS	<u>995,038</u>	<u>211,706</u>	<u>54,831</u>	<u>1,261,575</u>
CHANGE IN NET POSITION	<u>5,521,963</u>	<u>1,125,424</u>	<u>219,853</u>	<u>6,867,240</u>
NET POSITION				
Balance at July 1, 2020	<u>17,540,750</u>	<u>4,750,861</u>	<u>752,814</u>	<u>23,044,425</u>
Balance at June 30, 2021	<u>\$ 23,062,713</u>	<u>\$ 5,876,285</u>	<u>\$ 972,667</u>	<u>\$ 29,911,665</u>

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Local taxes				
Property taxes	\$ -	\$ -	\$ 2,835,484	\$ -
Interest and penalty	-	-	63,889	-
Payments in lieu of taxes	-	-	848,975	-
Local sales tax	-	-	4,436,849	-
Wholesale beer tax	-	-	402,049	-
Wholesale liquor tax	-	-	130,624	-
Business taxes	-	-	306,329	-
Franchise fees	-	-	59,744	-
	<u>8,183,000</u>	<u>8,183,000</u>	<u>9,083,943</u>	<u>900,943</u>
Licenses and permits	42,100	42,100	79,658	37,558
Intergovernmental revenues				
TVA payment in lieu of taxes . . .	-	-	103,310	-
State law enforcement and fire protection expense reimbursements	-	-	38,400	-
Federal grants	-	-	314,785	-
State grants	-	-	251,536	-
Tipton County grants and reimbursements	-	-	119,499	-
State sales tax	-	-	958,900	-
State telecommunications sales tax	-	-	10,829	-
State income tax	-	-	15,173	-
State beer tax	-	-	4,279	-
State mixed drink tax	-	-	35,487	-
State special petroleum tax	-	-	17,943	-
State highway maintenance	-	-	48,330	-
State airport maintenance	-	-	-	-
State excise tax	-	-	30,942	-
State sports betting	-	-	3,340	-
	<u>1,853,400</u>	<u>1,853,400</u>	<u>1,952,753</u>	<u>99,353</u>
Charges for services	307,100	307,100	317,049	9,949
Fines, forfeits and penalties	175,000	175,000	166,131	(8,869)
Other revenues	544,900	544,900	114,862	(430,038)
TOTAL REVENUES	<u>11,105,500</u>	<u>11,105,500</u>	<u>11,714,396</u>	<u>608,896</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES				
General government				
Board of Aldermen				
Personal services	\$ -	\$ -	\$ 271,443	\$ -
Contractual services	-	-	25,827	-
Fixed charges	-	-	167,033	-
Grants and donations	-	-	4,147	-
	<u>3,077,800</u>	<u>492,275</u>	<u>468,450</u>	<u>23,825</u>
City court				
Personal services	<u>12,000</u>	<u>17,378</u>	<u>17,024</u>	<u>354</u>
Recorder-treasurer				
Personal services	-	-	444,103	-
Contractual services	-	-	57,756	-
Supplies	-	-	9,551	-
Bad debt expense	-	-	(3,495)	-
Capital outlay	-	-	1,275	-
Reimbursements - enterprise funds	-	-	(136,370)	-
	<u>389,100</u>	<u>423,019</u>	<u>372,820</u>	<u>50,199</u>
City attorney				
Personal services	-	-	6,000	-
Contractual services	-	-	34,581	-
	<u>66,000</u>	<u>66,000</u>	<u>40,581</u>	<u>25,419</u>
Purchasing				
Personal services	-	-	273,061	-
Contractual services	-	-	11,753	-
Supplies	-	-	2,672	-
Capital outlay	-	-	1,135	-
Reimbursements - enterprise funds	-	-	(79,323)	-
	<u>205,640</u>	<u>235,075</u>	<u>209,298</u>	<u>25,777</u>
Data processing				
Contractual services	-	-	92,210	-
Reimbursements - enterprise funds	-	-	(26,047)	-
	<u>77,200</u>	<u>66,153</u>	<u>66,163</u>	<u>(10)</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES - CONTINUED				
General government - continued				
Developmental services				
Personal services	\$ -	\$ -	\$ 159,730	\$ -
Contractual services	-	-	35,749	-
Supplies	-	-	6,849	-
Capital outlay	-	-	600	-
Reimbursements - enterprise funds	-	-	(45,097)	-
	<u>176,250</u>	<u>171,529</u>	<u>157,831</u>	<u>13,698</u>
Grounds maintenance				
Personal services	-	-	404,551	-
Contractual services	-	-	15,563	-
Supplies	-	-	23,899	-
Capital outlay	-	-	34,023	-
	<u>370,000</u>	<u>519,399</u>	<u>478,036</u>	<u>41,363</u>
City Hall buildings				
Contractual services	-	-	64,554	-
Supplies	-	-	3,289	-
Reimbursements - enterprise funds	-	-	(16,536)	-
	<u>46,800</u>	<u>63,714</u>	<u>51,307</u>	<u>12,407</u>
Total general government	<u>4,420,790</u>	<u>2,054,542</u>	<u>1,861,510</u>	<u>193,032</u>
Public Safety				
Police				
Personal services	-	-	2,739,998	-
Contractual services	-	-	246,803	-
Supplies	-	-	185,935	-
Capital outlay	-	-	243,846	-
	<u>2,443,200</u>	<u>3,443,790</u>	<u>3,416,582</u>	<u>27,208</u>
Fire protection and control				
Personal services	-	-	2,632,886	-
Contractual services	-	-	105,805	-
Supplies	-	-	86,247	-
Capital outlay	-	-	155,670	-
	<u>1,938,500</u>	<u>3,176,037</u>	<u>2,980,608</u>	<u>195,429</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES - CONTINUED				
Public Safety - Continued				
Outside fire expenditures				
Personal services	\$ -	\$ -	\$ 38,765	\$ -
Contractual services	-	-	23,854	-
Supplies	-	-	9,903	-
Capital outlay	-	-	18,046	-
	<u>104,000</u>	<u>102,668</u>	<u>90,568</u>	<u>12,100</u>
Civil defense				
Contractual supplies	-	-	1,941	-
Supplies	-	-	39,881	-
	<u>30,000</u>	<u>35,000</u>	<u>41,822</u>	<u>(6,822)</u>
Total public safety	<u>4,515,700</u>	<u>6,757,495</u>	<u>6,529,580</u>	<u>227,915</u>
Public works				
Highways, streets and roadways				
Personal services	-	-	205,666	-
Contractual services	-	-	78,936	-
Supplies	-	-	27,299	-
Capital outlay	-	-	154,871	-
	<u>882,400</u>	<u>602,049</u>	<u>466,772</u>	<u>135,277</u>
Street lighting				
Contractual services	<u>15,000</u>	<u>15,000</u>	<u>14,024</u>	<u>976</u>
City garage				
Personal services	-	-	194,149	-
Contractual services	-	-	23,431	-
Supplies	-	-	10,728	-
Capital outlay	-	-	115	-
Reimbursements - enterprise funds	-	-	(56,627)	-
	<u>181,230</u>	<u>185,933</u>	<u>171,796</u>	<u>14,137</u>
GIS Department				
Supplies	-	-	2,823	-
Fixed charges	-	-	5,500	-
	<u>8,500</u>	<u>8,500</u>	<u>8,323</u>	<u>177</u>
Cemetery maintenance				
Contractual services	<u>1,000</u>	<u>1,000</u>	<u>326</u>	<u>674</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES - CONTINUED				
Public works - Continued				
Industrial development				
Contractual services	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total public works	<u>1,090,130</u>	<u>814,482</u>	<u>663,241</u>	<u>151,241</u>
Health, welfare, recreation and education				
Rabies and animal control				
Personal services	-	-	58,726	-
Contractual services	-	-	1,755	-
Supplies	-	-	2,771	-
Capital outlay	-	-	129	-
	<u>64,050</u>	<u>82,601</u>	<u>63,381</u>	<u>19,220</u>
Recreation administration				
Personal services	-	-	111,834	-
Contractual services	-	-	6,572	-
Fixed charges	-	-	1,844	-
	<u>87,150</u>	<u>131,669</u>	<u>120,250</u>	<u>11,419</u>
Recreation centers				
Contractual services	<u>5,000</u>	<u>35,000</u>	<u>17,866</u>	<u>17,134</u>
Playgrounds				
Contractual services	-	-	179,777	-
Supplies	-	-	1,204	-
Capital outlay	-	-	18,193	-
	<u>87,000</u>	<u>182,200</u>	<u>199,174</u>	<u>(16,974)</u>
Swimming pools				
Personal services	-	-	128,268	-
Contractual services	-	-	40,021	-
Supplies	-	-	14,651	-
Capital outlay	-	-	12,899	-
	<u>147,500</u>	<u>206,143</u>	<u>195,839</u>	<u>10,304</u>
Sportsplex				
Personal services	-	-	158,608	-
Contractual services	-	-	44,005	-
Supplies	-	-	26,560	-
Capital outlay	-	-	75,849	-
	<u>258,500</u>	<u>309,868</u>	<u>305,022</u>	<u>4,846</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES - CONTINUED				
Health, welfare, recreation and education - continued				
2018 CDBG HOME program				
Grants and donations	\$ 375,000	\$ 80,000	\$ 419	\$ 79,581
Sports/Recreation				
Personal services	-	-	205,894	-
Contractual services	-	-	19,547	-
Supplies	-	-	21,463	-
.....	<u>242,350</u>	<u>247,350</u>	<u>246,904</u>	<u>446</u>
Municipal Center				
Personal services	-	-	38,748	-
Contractual services	-	-	30,989	-
Supplies	-	-	10,015	-
Fixed charges	-	-	1,297	-
Capital outlay	-	-	929	-
	<u>98,400</u>	<u>98,400</u>	<u>81,978</u>	<u>16,422</u>
Total health, welfare, recreation and education	<u>1,364,950</u>	<u>1,373,231</u>	<u>1,230,833</u>	<u>142,398</u>
Debt service				
Principal	-	-	350,661	-
Interest	-	-	37,851	-
Total debt service	<u>381,501</u>	<u>615,821</u>	<u>388,512</u>	<u>227,309</u>
TOTAL EXPENDITURES	<u>11,773,071</u>	<u>11,615,571</u>	<u>10,673,676</u>	<u>941,895</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(667,571)</u>	<u>(510,071)</u>	<u>1,040,720</u>	<u>1,550,791</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

CITY OF COVINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 939,000	\$ 579,000	\$ 537,487	\$ (41,513)
Transfers out	(478,100)	(478,100)	(412,523)	65,577
Proceeds from capital asset sales and insurance	-	-	33,839	33,839
Proceeds from note and capital lease	-	-	<u>143,337</u>	<u>143,337</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>460,900</u>	<u>100,900</u>	<u>302,140</u>	<u>201,240</u>
NET CHANGE IN FUND BALANCE				
	(206,671)	(409,171)	1,342,860	1,752,031
FUND BALANCE				
Balance at July 1, 2020	<u>2,414,523</u>	<u>2,414,523</u>	<u>2,414,523</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 2,207,852</u>	<u>\$ 2,005,352</u>	<u>\$ 3,757,383</u>	<u>\$ 1,752,031</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT - The City of Covington, Tennessee (the “City”) complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

FINANCIAL REPORTING ENTITY - The City is a municipal corporation governed by an elected Mayor and elected six-member board. Included as a part of the City is the Covington Electric System (Electric System). The Electric System is governed by an appointed five-member board. Since the Electric System is not legally separate from the City, it is considered part of the primary government. There are no component units, entities for which the City is considered to be financial accountable, to be included in the City’s financial statements. The Electric System is under the regulatory authority of Tennessee Valley Authority.

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City mayor and/or the City board appoint the board members of the Industrial Development Board of the Town of Covington, Tennessee and the Covington Housing Authority.

The City is a participant with other governments and utilities in Tipton, Lauderdale, and Haywood Counties in HTL Advantage (HTL), a joint venture formed to establish and operate an office that markets the entire defined region for economic development and to bring the region to the attention of prospective industrial and commercial interests, which would be beneficial for the common good of all entities involved. HTL is governed by a board of directors comprised of one representative from each participant. The City has agreed to provide approximately 18 percent of the total annual contributions required to fund HTL. The City does not have an equity interest in HTL. Summary financial information for HTL is presented in Note 14.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements include a statement of net position and a statement of activities. They include all funds of the financial reporting entity except for fiduciary funds. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BASIS OF PRESENTATION - GOVERNMENTAL FUND FINANCIAL STATEMENTS - Governmental fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a set of

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - GOVERNMENTAL FINANCIAL STATEMENTS - CONTINUED

self-balancing accounts which constitute its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. Transactions relating to resources obtained and used for delivery of those services traditionally provided by a city government, which are not accounted for in other funds, are accounted for in the General Fund. These services include, among other things, general government, public safety, public works, and health, welfare, recreation and education.

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 restricted or committed to expenditures for specified purposes. The Special Revenue Funds consist of the following:

State Street Aid Fund - Accounts for the receipts and expenditures of the City's share of state gasoline tax.

Airport Fund - Accounts for the receipts and expenditures of the City's municipal airport operations.

Community Development Fund - Accounts for the receipts and expenditures of grant funds.

Solid Waste/Sanitation Fund - Accounts for the receipts and expenditures of the City's solid waste removal services.

Tipton County Museum Fund - Accounts for the receipts and expenditures of the City's museum operations.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - GOVERNMENTAL FUND FINANCIAL STATEMENTS - CONTINUED

GOVERNMENTAL FUNDS - CONTINUED

Special Revenue Funds - Continued

Drug Fund - Accounts for the receipts and expenditures related to court drug fines and drug seizures.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balances of the Debt Service Funds are restricted or assigned for debt service expenditures. The Debt Service Funds consist of the following:

Airport Improvements Construction Bond Fund - Holds resources that were set aside to pay the debt service requirements of the City's Public Works Airport Bonds, which have been paid off.

PBACCT Bond Fund - Used to accumulate resources to pay the debt service requirements of the City's Pooled Financing Revenue Bonds - Series 2020.

General Obligation Refunding Bond Fund - Holds resources that were set aside to pay the debt service requirements of the City's General Obligation Refunding Bonds - Series 2004, which have been paid off.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. The Permanent Funds consist of the Munford Cemetery Fund, which is used to account for maintenance of the City's cemeteries.

BASIS OF PRESENTATION - PROPRIETARY FUND FINANCIAL STATEMENTS -

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - PROPRIETARY FUND FINANCIAL STATEMENTS - CONTINUED

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for business-like activities that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Funds consist of the following:

Water Fund - Accounts for the operations of the water system. Operating revenues are derived from service charges. Revenues derived from physical connection to the system do not substantially exceed the cost incurred to provide such services.

Sewer Fund - Accounts for the operation of the sewer system. Operating revenues are derived from service charges. Revenues derived from physical connection to the system do not substantially exceed the cost incurred to provide such services.

Gas Utility Fund - Accounts for the operation of the natural gas system. Operating revenues are derived from service charges. Revenues derived from physical connection to the system do not substantially exceed the cost incurred to provide such services.

Bio Mass Gasification Fund - Accounts for the rental of the bio mass gasification plant.

Covington Electric System Electric Fund - Accounts for the operation of the electric system. Operating revenues are derived from service charges. Revenues derived from physical connection to the system do not substantially exceed the cost incurred to provide such services.

BASIS OF PRESENTATION - FIDUCIARY FUND FINANCIAL STATEMENTS - Fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position.

FIDUCIARY FUNDS

Pension (and Other Employee Benefit) Trust Funds - Pension (and Other Employee Benefit) Trust Funds are used to account for the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. The Pension (and Other Employee Benefit) Trust Funds consist of the following:

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - FIDUCIARY FUND FINANCIAL STATEMENTS - CONTINUED

FIDUCIARY FUNDS - CONTINUED

City of Covington Pension Fund - Used to account for the resources of the defined benefit pension plan covering all employees hired before October 1, 2015, except Covington Electric System employees.

Covington Electric System Defined Benefit Plan - Used to account for resources of the defined benefit pension plan covering Covington Electric System Employees. The plan reports on a March 31 year end.

Covington Electric System 457 Plan - This deferred compensation trust fund is used to account for assets held for employees of Covington Electric System in accordance with the provisions of Internal Revenue Code Section 457.

MAJOR FUNDS - The City's major funds are as follows:

- Governmental Funds
 - General Fund
- Proprietary Funds
 - Water Fund
 - Sewer Fund
 - Gas Utility Fund
 - Bio Mass Gasification Fund
 - Covington Electric System Electric Fund

See the foregoing fund descriptions for the activities conducted in the major funds.

MEASUREMENT FOCUS - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, transactions between governmental and business-type activities have not been eliminated.

On the government-wide statement of net position and the statement of activities both governmental and business-type activities are presented using the "economic resources" measurement focus. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS - CONTINUED-

of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds and fiduciary funds are accounted for using the “economic resources” measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position.

Operating revenues in the proprietary funds and fiduciary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

In the fund financial statements, the “current financial resources” measurement focus or “economic resources” measurement focus is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

BASIS OF ACCOUNTING - Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide statement of net position and statement of activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax,

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF ACCOUNTING - CONTINUED

intergovernmental revenues and certain other taxes. Certain other taxes, charges for services, fines and forfeits, and other revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until they are received. Investment earnings are recorded when earned since they are measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Proprietary funds and fiduciary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Customers are billed at various times throughout the months. The estimated value of services provided but unbilled at year end has been included in the accompanying financial statements.

UNEARNED REVENUE - Unearned revenue arises 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, or when rental payments are received in advance of the rental period.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

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

INTERFUND TRANSACTIONS - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Interfund receivables and payables between funds are eliminated in the statement of net position.

Permanent reallocation of resources between funds of the City are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INTERFUND TRANSACTIONS - CONTINUED -

With the exception of the Electric System, substantially all governmental and proprietary operations are administered primarily from one municipal building. Certain administrative employees perform duties that serve both governmental operations and proprietary operations. Certain expenditures/expenses for contractual services and supplies are incurred for both governmental operations and proprietary operations. These joint purpose direct costs are initially paid by the General Fund. The General Fund charges the Water Fund, Sewer Fund, and Gas Utility Fund (proprietary funds) for their allocable share of these joint costs. The allocation method used is based on the ratio of total combined revenues of the proprietary funds (after deducting the cost of gas) to the total combined revenues of the governmental funds, with one exception; occupancy expenditures/expenses are allocated based on the ratio of total building space used by the proprietary funds to the total building space used by the governmental funds. The General Fund reflects such reimbursements as reduction of expenditures in the affected departments. The proprietary funds reflect such expenses under the caption, "General and Administrative".

BUDGETS AND BUDGETARY ACCOUNTING - The budget of the City, which is prepared at the departmental expenditure level, is legally enacted through passage of an ordinance.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations, which consist of expenditures and transfers out, lapse at the end of the year.

Budgets were prepared for all of the governmental funds, except the Airport Improvements Construction Bond Fund, which has negligible activity.

The State Street Aid Fund, Solid Waste/Sanitation Fund, and General Obligation Refunding Bond Fund incurred expenditures and transfers out in excess of appropriations in the amounts of approximately \$10,000, \$65,000, and \$4,000, respectively. These excess expenditures and transfers out were covered by additional revenues and other financing sources and/or available fund balance.

ENCUMBRANCES - Encumbrance accounting is not used since it is not legally required:

DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Although the City has not formally adopted a policy regarding collateralization of deposits, the City follows collateralization requirements of State statutes. State statutes require that all deposits with financial institutions be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, or by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents.

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INVESTMENTS - State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally chartered banks and savings and loan associations and the City's own bonds or notes. The City has not adopted a formal investment policy that limits its interest rate or credit risk. Investments are carried at fair value. Fair value is based on quoted market prices for investments for which market quotations are readily available. For investments that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments.

The City of Covington's Pension Fund policy in regard to the allocation of invested assets is established and may be amended by the Finance and Administration Committee. It is the policy of the Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from drastically shifting asset class allocations over short time spans.

The Covington Electric System Defined Benefit Plan's policy in regard to the allocation of invested assets is established and may be amended by the Electric System's Board of Directors by a majority vote of its members. It is the policy of the Electric System's Board of Directors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Investments are stated at fair market value. The Plan's investments consist of stocks in U.S. and foreign publically traded companies and mutual funds. Dividend income is accrued on the ex-dividend date. Purchases and sales of securities are recorded on the trade-date basis. Realized gains and losses from security transactions are reported on the average cost method.

RECEIVABLES - Receivables result primarily from unpaid billings for service to customers, unpaid billings related to work performed for or materials sold to certain entities, local taxes from businesses and individuals, and intergovernmental revenues due from other government entities. Receivables are reported net of an allowance for uncollectible accounts and revenues are reported net of uncollectibles. Allowances are reported when accounts are proven, or estimated, to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable and uncollectibles netted with revenues are as follows:

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RECEIVABLES - CONTINUED

	<u>Allowances Netted with Receivables</u>	<u>Uncollectibles Netted with Revenue</u>	<u>Recoveries Added with Revenue</u>
<u>Governmental Activities/Fund</u>			
General Fund			
Property taxes	\$ 50,860	\$ -	\$ 74,166
Other	8,695	-	83,967
Solid Waste/Sanitation Fund			
Garbage collection fees	-	-	5,911
	<u>\$ 59,555</u>	<u>\$ -</u>	<u>\$ 164,044</u>
<u>Business-Type Activities/Fund</u>			
Water Fund			
Utility billings	\$ -	\$ -	\$ 3,325
Sewer Fund			
Utility billings	1,671	-	5,846
Gas Utility Fund			
Utility billings	-	-	96
	<u>\$ 1,671</u>	<u>\$ -</u>	<u>\$ 9,267</u>

No other allowances for uncollectible accounts are considered necessary based on past history of uncollectible accounts and management's analysis of current accounts.

INVENTORIES AND PREPAID ITEMS - Material and supplies inventories and fuel inventories are stated at the lower of cost (first-in, first-out) or market with the exception of material and supplies inventories of the Electric System which are stated at the lower of average cost or market, using the first-in, first-out method.

Obsolete and possible excess quantities of inventory are reduced to net realizable value.

No other inventories are provided, as disbursements for other inventory items are considered expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**CITY OF COVINGTON, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City does not have a formal capitalization policy, but generally only assets with an individual cost of at least \$500 and an estimated useful life in excess of one year (five years for the Electric System) are capitalized. The City’s assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized cost of the assets constructed.

Land, land rights and land improvements are not depreciated. Buildings, improvements, equipment, and infrastructure of the City is depreciated using the straight-line method over the following estimated useful lives:

Buildings	5-50 years
Improvements	20-40 years
Equipment	5-25 years
Infrastructure	15-35 years

PROPERTY TAXES - The City’s property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by February 28 following the October 1 levy date and are considered delinquent after February 28 of each year. Once taxes become delinquent for one year, they may be turned over to Chancery Court for collection.

COMPENSATED ABSENCES - Employees of the City are allowed to accumulate unused sick leave without limitation and unused annual leave of varying amounts based on length of service. Upon termination, one-third of the accumulated sick leave days, and all of the accumulated annual leave will be paid to the employee. Sick leave in excess of the one-third amount is not paid upon termination but will be paid only upon illness while in the employment of the City.

It is the Electric System’s policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay has been accrued and is reflected as liabilities on the financial statements.

Vested or accumulated annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated annual leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentation. Vested or accumulated annual leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

COMPENSATED ABSENCES - CONTINUED

The City's contingent liability for the unused, nonvesting, accumulated portions of sick leave as of June 30, 2021 is approximately \$849,000.

RESTRICTED ASSETS - Certain proceeds of bond issues, certain resources set aside for their repayment, as well as certain other cash and investments are classified as restricted assets because their use is limited by applicable bond covenants and/or external parties. The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

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 debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types report the face amount of debt issuances or capital lease obligations 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, except as explained in the following paragraph.

The Electric System reports bond costs as an asset and amortizes those costs over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This regulatory option as part of GASB Statement No. 65 is available due to the above mentioned cost being used for rate setting by the Electric System.

GOVERNMENT-WIDE NET POSITION - Equity is classified as net position and displayed in the following three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted - Consists of net position for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE NET POSITION - CONTINUED

Unrestricted - All other net position that do not meet the description of the above categories.

GOVERNMENTAL FUND BALANCE - Equity is classified as fund balance and displayed in the following five components, if applicable:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the City's Board of Mayor and Aldermen's highest level of decision-making authority (passage of an ordinance). Commitments may be modified or rescinded only by a like action.

Assigned - Amounts that are intended to be used for specific purposes that are not considered restricted or committed. The authority to assign, modify, and/or rescind prior assignments of fund balance has been granted to the Finance and Administration Committee.

Unassigned - All amounts not included in other spendable classifications.

CASH FLOWS - For purposes of reporting cash flows, cash consists of cash on hand and on deposit with banks. Highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

PENSIONS - For purposes of measuring the net pension liabilities, 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 City of Covington Pension Fund and the Covington Electric System Defined Benefit Plan, and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Covington Pension Plan and the Covington Electric System Defined Benefit Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the City of Covington Pension Plan and the Covington Electric System Defined Benefit Plan. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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 of the Tennessee

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PENSIONS - CONTINUED

Consolidated Retirement System (TCRS), and 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 Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS - The bank balances of deposits as of June 30, 2021 were entirely insured by federal depository insurance or by the Bank Collateral Pool of the State of Tennessee.

INVESTMENTS - The City's investments at June 30, 2021 (March 31, 2021 for the Covington Electric System Defined Benefit Plan) consisted of the following:

<u>INVESTMENT</u>	<u>ELECTRIC SYSTEM PENSION PLAN FAIR VALUE</u>	<u>ELECTRIC SYSTEM 457 PLAN FAIR VALUE</u>	<u>CITY OF COVINGTON PENSION PLAN FAIR VALUE</u>	<u>TOTALS FAIR VALUE</u>
Investments in Pension Plans				
Trustee's investment pool				
Equities	\$ 2,706,122	\$ 56,312	\$ -	\$ 2,762,434
Balanced Funds	-	722,631	-	722,631
Fixed Income	2,088,539	113,313	-	2,201,852
International	1,074,483	80,411	-	1,154,894
External investment pool - Tennessee				
Retiree Group Trust (TRGT)	<u>-</u>	<u>-</u>	<u>23,062,259</u>	<u>23,062,259</u>
	<u>\$ 5,869,144</u>	<u>\$ 972,667</u>	<u>\$ 23,062,259</u>	<u>\$ 29,904,070</u>

With regards to the investments held in trustee's investment pool, the following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S government at June 30, 2021 (March 31, 2021 for the Covington Electric System Defined Benefit Plan):

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

INVESTMENTS - CONTINUED

	COVINGTON ELECTRIC SYSTEM DEFINED BENEFIT PLAN	COVINGTON ELECTRIC SYSTEM 457 PLAN
Ishares Core S&P 500 ETF	\$ 742,332	\$ -
Baird Aggregate Bond Fund	731,280	-
Fidelity Investment Grade Bond Fund	740,935	-
Amer Cent One Choice 2045 Portfolio	-	280,091
VOYA Large Cap Growth Prt Ins	-	80,779
American Funds Fdmntl Inv R4	-	134,766
VOYA Fixed Account	-	113,313
VOYA Russell MdCp Indx Part 1	-	61,682
DoubleLine Total Return Bond Fund	294,921	-
Calamos Market Neutral Income Fund	269,513	-
JPMorgan Strategic Income	312,191	-

The investments in the external investment pool are invested with the Tennessee Retiree Group Trust and therefore, are not categorized as to concentration of credit risk.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following fair value measurements as of June 30, 2021 (March 31, 2021 for the Covington Electric System Defined Benefit Plan):

INVESTMENTS BY FAIR VALUE LEVEL	TOTAL	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NAV
Held in trustee's investment pool					
Equities	\$ 2,762,434	\$ 2,762,434	\$ -	\$ -	\$ -
Balanced Funds	722,631	722,631	-	-	-
Fixed Income	2,201,852	2,201,852	-	-	-
International	<u>1,154,894</u>	<u>1,154,894</u>	-	-	-
	<u>\$ 6,841,811</u>	<u>\$ 6,841,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

INVESTMENTS - CONTINUED

	<u>TOTAL</u>	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>	<u>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</u>	<u>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</u>	<u>NAV</u>
Invested in TRGT, at Fair Value					
Government Agencies	\$ 37,334	\$ -	\$ 37,334	\$ -	\$ -
Government Bonds	1,925,299	1,886,793	38,506	-	-
Government Inflation Indexed ...	30,213	30,213	-	-	-
Government Mortgage Backed ..	1,291,593	-	1,285,897	5,696	-
Government Assets Backed	31,384	-	24,674	6,710	-
Municipal Bonds	22,129	-	19,435	2,694	-
Commercial Mortgage Backed ..	173,852	-	109,152	64,700	-
Commercial Paper	31,564	-	31,564	-	-
Corporate Asset					
Backed Securities	368,151	-	130,910	237,241	-
Corporate Bonds	1,575,901	-	1,570,211	5,690	-
Corporate Equities	10,761,865	10,747,734	-	14,131	-
Preferred Stocks	28,577	17,661	10,916	-	-
Limited Partnership Units	3,564,203	-	-	357,714	3,206,489
Real Estate	1,699,073	-	-	1,047,971	651,102
Derivatives	131	-	131	-	-
	<u>21,541,269</u>	<u>12,682,401</u>	<u>3,258,730</u>	<u>1,742,547</u>	<u>3,857,591</u>
Invested in TRGT, Other					
Cash and cash Equivalents	308,465				
Cash Collateral on					
Loaned Securities	1,048,012				
Investment Income Receivable ..	72,108				
Derivatives Receivable	68,226				
Investments Sold	24,179				
	<u>1,520,990</u>				
Invested in TRGT, Total	<u>23,062,259</u>				
	<u>\$ 29,904,070</u>				

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

INVESTMENTS - CONTINUED

Assets of the City of Covington Pension Plan 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, 2021, 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 FASB 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 the valuations. All assets held were valued individually and aggregated into classes to be represented in the table on the prior page.

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

INVESTMENTS - CONTINUED

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 date 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.

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 classified in Level 3.

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. The City does 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.

**CITY OF COVINGTON, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2021**

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

INVESTMENTS - CONTINUED

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City places no limit on the amount the TRGT may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the City 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 City to pay retirement benefits of the City employees.

For further information concerning the City’s investments with the TRGT, audited financial statements of the TRGT may be obtained at <https://comptroller.tn.gov/>.

NOTE 3 - UTILITY AND GARBAGE COLLECTION FEES RECEIVABLE AND CUSTOMER DEPOSITS

Included in the accounts receivable balance of \$3,074,145 are unbilled receivables of \$422,293. The unbilled receivables represent estimated charges for usage from the last billing date through June 30, 2021.

The General Fund holds meter deposits of water, sewer, gas, and solid waste customers, and the deposits appear as a liability on the General Fund balance sheet.

NOTE 4 - INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2021 is as follows:

MAJOR FUNDS	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund		
Airport Fund	\$ 486	\$ -
Solid Waste/Sanitation Fund	-	2,173
Water Fund	1,722	-
Sewer Fund	-	10,328
Gas Utility Fund	-	46,303 (1)
Munford Cemetary Fund	<u>2,617</u>	<u>-</u>
	<u>4,825</u>	<u>58,804</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 4 - INTERFUND TRANSACTIONS - CONTINUED

MAJOR FUNDS - CONTINUED	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Water Fund		
General Fund	\$ -	\$ 1,722
Sewer Fund	-	817
Gas Utility Fund	-	<u>39</u>
	<u>-</u>	<u>2,578</u>
Sewer Fund		
General Fund	10,328	-
Water Fund	817	-
	<u>11,145</u>	<u>-</u>
Gas Utility Fund		
General Fund	46,303 (1)	-
Solid Waste/Sanitation Fund	5,355 (2)	-
Water Fund	<u>39</u>	<u>-</u>
	<u>51,697</u>	<u>-</u>
NONMAJOR GOVERNMENTAL FUNDS		
Airport Fund		
General Fund	-	486
Solid Waste/Sanitation Fund		
General Fund	2,173	-
Gas Utility Fund	-	5,355 (2)
Munford Cemetery Fund		
General Fund	<u>-</u>	<u>2,617</u>
	<u>2,173</u>	<u>8,458</u>
TOTALS	<u>\$ 69,840</u>	<u>\$ 69,840</u>

(1) This represents a capital outlay note payable to the Gas Utility Fund by the General Fund. The note is payable in annual installments of \$27,752, plus interest at 2% through 2023.

(2) This represents a capital outlay note payable to the Gas Utility Fund by the Solid Waste/Sanitation Fund. The note is payable in annual installments of \$2,491, plus interest at 2%, through 2023.

Interfund balances other than (1) and (2) above are related to goods and service transactions arising in the normal course of operations.

Interfund balances other than the long term portion of (1) and (2) above (\$30,243) are expected to be repaid within one year.

The foregoing interfund balances are classified as follows in the financial statements:

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 4 - INTERFUND TRANSACTIONS - CONTINUED

	<u>INTERFUND BALANCES - ASSETS</u>	<u>INTERFUND BALANCES - LIABILITIES</u>
Governmental Funds		
Due from/to other funds	\$ 6,998	\$ 37,019
Advances from/to other funds	-	30,243
Proprietary Funds		
Due from/to other funds	32,599	2,578
Advances from/to other funds	<u>30,243</u>	<u>-</u>
	<u>\$ 69,840</u>	<u>\$ 69,840</u>

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

	<u>TRANSFERS FROM OTHER FUNDS</u>	<u>TRANSFERS TO OTHER FUNDS</u>
MAJOR FUNDS		
General Fund		
Airport Fund	\$ -	\$ 50,000
Tipton County Museum Fund	-	71,000
PBACCT Bond Fund	-	163,423
Water Fund	35,000 (1)	-
Sewer Fund	78,610 (1)	-
Gas Utility Fund	58,024 (1)	-
Bio Mass Gasification Fund	-	128,100
Covington Electric System Electric Fund	363,636 (1)	-
Munford Cemetery Fund	<u>2,217</u>	<u>-</u>
	<u>537,487</u>	<u>412,523</u>
Water Fund		
General Fund	<u>-</u>	<u>35,000</u> (1)
Sewer Fund		
General Fund	<u>-</u>	<u>78,610</u> (1)
Gas Utility Fund		
General Fund	<u>-</u>	<u>58,024</u> (1)
Bio Mass Gasification Fund		
General Fund	<u>128,100</u>	<u>-</u>
Covington Electric System Electric Fund		
General Fund	<u>-</u>	<u>363,636</u> (1)
NONMAJOR GOVERNMENTAL FUNDS	<u>284,423</u>	<u>2,217</u>
TOTALS	<u>\$ 950,010</u>	<u>\$ 950,010</u>

(1) These represent payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided.

Interfund transfers other than (1) above were used to finance various programs accounted for in other funds and/or to move funds to the debt service fund as debt service payments became due.

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS

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

	<u>BALANCE</u> <u>JULY 1, 2020</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>TRANSFERS</u>	<u>BALANCE</u> <u>JUNE 30, 2021</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land, land rights and improvements ..	\$ 3,246,197	\$ -	\$ -	\$ -	\$ 3,246,197
Other capital assets					
Improvements	12,659,939	78,811	(294,765)	-	12,443,985
Buildings	6,810,768	-	(72,640)	-	6,738,128
Equipment	5,498,106	630,133	(444,025)	-	5,684,214
Infrastructure	9,633,566	346,430	(1,548,366)	-	8,431,630
Total other capital assets at historical cost	<u>34,602,379</u>	<u>1,055,374</u>	<u>(2,359,796)</u>	<u>-</u>	<u>33,297,957</u>
Less accumulated depreciation					
Improvements	(4,658,713)	(297,857)	294,765	-	(4,661,805)
Buildings	(3,412,234)	(156,143)	72,640	-	(3,495,737)
Equipment	(2,289,896)	(472,303)	444,025	-	(2,318,174)
Infrastructure	(5,053,946)	(374,651)	1,548,366	-	(3,880,231)
Total accumulated depreciation	<u>(15,414,789)</u>	<u>(1,300,954)</u>	<u>2,359,796</u>	<u>-</u>	<u>(14,355,947)</u>
Other capital assets, net	<u>19,187,590</u>	<u>(245,580)</u>	<u>-</u>	<u>-</u>	<u>18,942,010</u>
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 22,433,787</u>	<u>\$ (245,580)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,188,207</u>
DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES FUNCTIONS AS FOLLOWS					
General government		\$ 35,115			
Public safety		378,573			
Public works		440,412			
Health, welfare, recreation and education		<u>446,854</u>			
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE		<u>\$ 1,300,954</u>			

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2020</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>TRANSFERS</u>	<u>BALANCE</u> <u>JUNE 30, 2021</u>
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land, land rights and improvements ..	\$ 400,096	\$ -	\$ -	\$ -	\$ 400,096
Construction in progress	55,751	6,562	-	(38,412)	23,901
Held for future use	<u>2,814,855</u>	<u>-</u>	<u>-</u>	<u>(1,106,292)</u>	<u>1,708,563</u>
Total capital assets not being depreciated	<u>3,270,702</u>	<u>6,562</u>	<u>-</u>	<u>(1,144,704)</u>	<u>2,132,560</u>
Other capital assets					
Buildings	14,529,211	-	-	-	14,529,211
Distribution and collection systems ...	25,984,266	588,910	(289,453)	2,853,267	29,136,990
General plant	6,968,147	135,858	(31,697)	-	7,072,308
Transmission plant	2,161,810	-	-	-	2,161,810
Distribution plant	14,129,417	204,559	(156,226)	-	14,177,750
Bio Mass plant	2,243,192	-	-	(2,243,192)	-
Equipment	1,801,497	75,485	(186,163)	-	1,690,819
Unamortized acquisition	<u>241,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,642</u>
Total other capital assets at historical cost	<u>68,059,182</u>	<u>1,004,812</u>	<u>(663,539)</u>	<u>610,075</u>	<u>69,010,530</u>
Less accumulated depreciation/amortization					
Buildings	(9,507,226)	(309,006)	-	-	(9,816,232)
Distribution and collection systems ...	(16,067,055)	(677,492)	280,665	-	(16,463,882)
General plant	(3,029,897)	(266,182)	26,929	-	(3,269,150)
Transmission plant	(1,458,106)	(84,540)	-	-	(1,542,646)
Distribution plant	(7,276,839)	(492,627)	166,770	-	(7,602,696)
Bio Mass plant	(534,629)	-	-	534,629	-
Equipment	(1,076,577)	(152,378)	186,163	-	(1,042,792)
Unamortized acquisition adjustment ..	<u>(189,287)</u>	<u>(24,164)</u>	<u>-</u>	<u>-</u>	<u>(213,451)</u>
Total accumulated depreciation/amortization	<u>(39,139,616)</u>	<u>(2,006,389)</u>	<u>660,527</u>	<u>534,629</u>	<u>(39,950,849)</u>
Other capital assets, net	<u>28,919,566</u>	<u>(1,001,577)</u>	<u>(3,012)</u>	<u>1,144,704</u>	<u>29,059,681</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 32,190,268</u>	<u>\$ (995,015)</u>	<u>\$ (3,012)</u>	<u>\$ -</u>	<u>\$ 31,192,241</u>
DEPRECIATION AND AMORTIZATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS					
Water		\$ 307,674			
Sewer		678,705			
Gas		144,660			
Bio Mass		7,837			
Electric		<u>788,540</u>			
TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION AND AMORTIZATION EXPENSE CHARGED TO OPERATIONS		1,927,416			
Charged to transportation clearing		<u>78,973</u>			
TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION AND AMORTIZATION EXPENSE		<u>\$ 2,006,389</u>			

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS - CONTINUED

In May 2012, the Covington Electric System made an agreement to pay Southwest Tennessee Electric Membership Corporation a one time payment in the amount of \$241,642 for lost revenue in a recent Vandergrift annexation. This payment took place in the fiscal year 2013 when the project was closed. The annexation cost is reflected as an unamortized acquisition adjustment on the Statement of Net Position and is amortized monthly over 10 years. The amortization expense related to this annexation for the year ended June 30, 2021 was \$24,164.

NOTE 6 - LONG-TERM DEBT

Debt outstanding as of June 30, 2021 consisted of the following:

	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUED</u>	<u>DEBTS OUTSTANDING</u>
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds				
General Obligation Refunding Bonds	2.50-3.50%	2029	\$ 215,000	\$ 119,724
General Obligation Refunding Bonds	2.05%	2023	485,200	<u>332,000</u>
				<u>451,724</u>
General Obligation Notes				
Direct borrowings and direct placements				
Note Payable - Lawsuit Settlement	2.00%	2027	1,200,000	800,000
Note Payable - Police Tasers	0.00%	2023	30,800	22,950
Note Payable - Police Cameras	0.00%	2023	49,658	<u>29,245</u>
				<u>852,195</u>
Capital Lease Obligations				
Direct borrowings and direct placements				
Capital Lease Obligation - Sweeper	2.85%	2022	217,030	37,686
Capital Lease Obligation - Truck	6.00%	2022	23,254	5,971
Capital Lease Obligation - Truck	6.00%	2022	28,579	7,339
Capital Lease Obligation - SUV	7.20%	2022	46,430	11,982
Capital Lease Obligation - Field Machine	5.00%	2023	17,320	7,658
Capital Lease Obligation - Police Vehicles	6.70%	2023	65,296	32,580
Capital Lease Obligation - Truck	4.61%	2024	33,995	26,570
Capital Lease Obligation - Truck	4.46%	2024	48,920	38,265
Capital Lease Obligation - Police Vehicles	5.99%	2023	67,751	-
Capital Lease Obligation - Police Vehicles	5.99%	2023	29,276	-
				<u>168,051</u>
				<u>\$ 1,471,970</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT - CONTINUED

	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUED</u>	<u>DEBTS OUTSTANDING</u>
BUSINESS-TYPE ACTIVITIES				
General Obligation Bonds				
General Obligation Refunding Bonds	2.50-3.75%	2035	\$ 3,180,000	\$ 2,375,000
Direct borrowings and direct placements				
Bio Mass Gasification Bonds98%*	2037	2,250,000	<u>1,695,000</u>
				<u>4,070,000</u>
Revenue Bonds				
Electric System				
Revenue Bonds	2.50%-4.375%	2024	2,280,000	440,000
Direct borrowings and direct placements				
Water Revenue and Tax Bond	4.125%	2047	1,082,000	883,608
Sewer Revenue and Tax Bond	3.755%	2048	1,489,000	<u>1,234,706</u>
				<u>2,558,314</u>
Capital Lease Obligations				
Direct borrowings and direct placements				
Capital Lease Obligation - Automated Meters	2.650%	2024	2,814,855	<u>2,277,438</u>
				<u>\$ 8,905,752</u>

General obligation bonds and notes are the general obligation of the City with all tax revenues, to the extent required, pledged for repayment of the bonds and notes. Certain general obligation bonds are to be repaid by revenues of enterprise funds.

Certain bonds and notes bear interest at a rate adjusted weekly as determined by the remarketing agent. For such bonds, the interest rate as of June 30, 2021 shown in the foregoing schedule is denoted by an asterisk (*).

At the option of the City, the general obligation bonds are subject to redemption prior to maturity, in whole or in part, at prices set forth in the debt resolutions.

Revenue bonds are secured by the net revenues to be derived from operation of the respective utility system. Revenue bonds with an aggregate outstanding balance of \$2,118,314 at June 30, 2021 are additionally secured by the general credit of the City to the extent that revenues of the respective utility system is insufficient to retire the outstanding indebtedness.

At the option of the City, certain revenue bonds are subject to redemption prior to maturity, in whole or in part, at prices set forth in the debt resolutions.

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT - CONTINUED

The Electric System Revenue Bonds contain a provision that in the event of default outstanding amounts may be declared immediately due and payable and accrue interest at highest post maturity interest rate and use any remedy allowed by state or federal law. The Water Revenue and Tax Bond and the Sewer Revenue and Tax Bond contain provisions that in the event of default a receiver can be appointed to charge and collect rates sufficient to operate the system and meet bond payment requirements.

A summary of long-term debt activity for the year ended June 30, 2021 is as follows:

	<u>BALANCE AT JULY 1, 2020</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2021</u>	<u>DUE WITHIN ONE YEAR</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds					
General Obligation Refunding Bonds	\$ 134,779	\$ -	\$ (15,055)	\$ 119,724	\$ 8,250
General Obligation Refunding Bonds	485,200	-	(153,200)	332,000	161,600
General Obligation Notes					
Direct borrowings and direct placements					
Note Payable - Lawsuit Settlement	933,333	-	(133,333)	800,000	133,333
Note Payable - Police Tasers	22,950	-	-	22,950	15,300
Note Payable - Police Cameras	35,298	11,426	(17,479)	29,245	14,622
Capital Lease Obligations					
Direct borrowings and direct placements					
Capital Lease Obligation - Sweeper	74,327	-	(36,641)	37,686	37,686
Capital Lease Obligation - Truck	11,608	-	(5,637)	5,971	5,971
Capital Lease Obligation - Truck	14,266	-	(6,927)	7,339	7,339
Capital Lease Obligation - SUV	23,159	-	(11,177)	11,982	11,982
Capital Lease Obligation - Field Machine	11,956	-	(4,298)	7,658	7,658
Capital Lease Obligation - Police Vehicles	47,351	-	(14,771)	32,580	15,762
Capital Lease Obligation - Truck	-	33,995	(7,425)	26,570	6,200
Capital Lease Obligation - Truck	-	48,920	(10,655)	38,265	8,950
Capital Lease Obligation - Police Vehicles	-	67,751	(67,751)	-	-
Capital Lease Obligation - Police Vehicles	-	29,276	(29,276)	-	-
	<u>1,794,227</u>	<u>191,368</u>	<u>(513,625)</u>	<u>1,471,970</u>	<u>434,653</u>
Compensated absences	691,916	-	(30,566)	661,350	6,614
Net pension liability	3,094,859	-	(3,094,859)	-	-
OPEB liability	90,275	17,487	-	107,762	-
	<u>5,671,277</u>	<u>208,855</u>	<u>(3,639,050)</u>	<u>2,241,082</u>	<u>441,267</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds					
General Obligation Refunding					
Bonds	2,520,000	-	(145,000)	2,375,000	156,750
Direct borrowings and direct placements					
Bio Mass Gasification Bonds	1,773,000	-	(78,000)	1,695,000	81,000
Revenue Bonds					
Electric System					
Revenue Bonds	575,000	-	(135,000)	440,000	140,000
Direct borrowings and direct placements					
Water Revenue and Tax Bond	903,202	-	(19,594)	883,608	20,418
Sewer Revenue and Tax Bond	1,261,422	-	(26,716)	1,234,706	27,737
Capital Lease Obligations					
Direct borrowings and direct placements					
Capital Lease Obligation -					
Automated Meters	2,814,855	-	(537,417)	2,277,438	547,179
	<u>9,847,479</u>	<u>-</u>	<u>(941,727)</u>	<u>8,905,752</u>	<u>973,084</u>
Compensated absences	254,918	32,847	-	287,765	28,777
Net pension liability	704,992	-	(704,992)	-	-
OPEB liability	-	22,874	-	22,874	-
	<u>10,807,389</u>	<u>55,721</u>	<u>(1,646,719)</u>	<u>9,216,391</u>	<u>1,001,861</u>
	<u>\$ 16,478,666</u>	<u>\$ 264,576</u>	<u>\$ (5,285,769)</u>	<u>\$ 11,457,473</u>	<u>\$ 1,443,128</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT - CONTINUED

Governmental funds that have typically been used to liquidate compensated absences and pension liabilities are as follows:

General Fund
 Airport Fund
 Solid Waste Sanitation Fund
 Tipton County Museum Fund

The City has entered into capital lease agreements under which the related governmental activities capital assets will become the property of the City when all terms of the lease agreements are met. The cost and accumulated amortization of the governmental activities capital assets under the capital leases are \$638,369 and \$270,841, respectively. Amortization of the leased governmental activities capital assets is included with depreciation expense.

The City has entered into a capital lease agreement which the related business activities capital assets will become the property of the City when all terms of the lease agreement are met. The cost and accumulated amortization of the business activities capital assets under capital lease are \$2,814,855 and \$156,381, respectively. Amortization of the leased business activities capital assets is included with depreciation expense.

Presented below is a summary of debt service requirements by years:

	<u>GOVERNMENTAL ACTIVITIES</u>				
	<u>BONDS</u>		<u>DIRECT BORROWINGS AND DIRECT PLACEMENTS</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
GENERAL OBLIGATION BONDS, NOTES, AND LEASE OBLIGATIONS					
<u>YEAR ENDING JUNE 30</u>					
2022	\$ 15,000	\$ 3,675	\$ 423,263	\$ 30,926	\$ 472,864
2023	15,000	3,300	361,799	20,256	400,355
2024	15,000	2,925	149,883	12,197	180,005
2025	15,000	2,475	150,633	8,782	176,890
2026	15,000	2,025	133,333	5,333	155,691
2027-2029	<u>44,724</u>	<u>3,113</u>	<u>133,335</u>	<u>2,667</u>	<u>183,839</u>
	<u>\$ 119,724</u>	<u>\$ 17,513</u>	<u>\$ 1,352,246</u>	<u>\$ 80,161</u>	<u>\$ 1,569,644</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT - CONTINUED

	<u>BUSINESS-TYPE ACTIVITIES</u>				<u>TOTAL</u>
	<u>BONDS</u>		<u>DIRECT BORROWINGS AND DIRECT PLACEMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
GENERAL OBLIGATION BONDS					
<u>YEAR ENDING JUNE 30</u>					
2022	\$ 150,000	\$ 78,775	\$ 81,000	\$ 16,611	\$ 326,386
2023	155,000	75,025	84,000	15,817	329,842
2024	160,000	71,150	87,000	14,994	333,144
2025	155,000	66,350	90,000	14,141	325,491
2026	150,000	61,700	93,000	13,259	317,959
2027-2031	825,000	229,675	514,000	52,009	1,620,684
2032-2036	780,000	73,747	611,000	24,991	1,489,738
2037	-	-	<u>135,000</u>	<u>1,323</u>	<u>136,323</u>
	<u>2,375,000</u>	<u>656,422</u>	<u>1,695,000</u>	<u>153,145</u>	<u>4,879,567</u>
REVENUE BONDS AND LEASE OBLIGATIONS					
<u>YEAR ENDING JUNE 30</u>					
2022	\$ 140,000	\$ 16,188	\$ 595,334	\$ 142,414	\$ 893,936
2023	145,000	9,954	611,781	125,968	892,703
2024	155,000	3,391	628,688	109,060	896,139
2025	-	-	646,071	91,679	737,750
2026	-	-	56,298	73,806	130,104
2027-2031	-	-	316,983	333,537	650,520
2032-2036	-	-	385,394	265,216	650,610
2037-2041	-	-	468,610	181,910	650,520
2042-2046	-	-	569,842	80,678	650,520
2047-2048	-	-	<u>116,751</u>	<u>3,264</u>	<u>120,015</u>
	<u>440,000</u>	<u>29,533</u>	<u>4,395,752</u>	<u>1,407,532</u>	<u>6,272,817</u>
	<u>\$ 2,815,000</u>	<u>\$ 685,955</u>	<u>\$ 6,090,752</u>	<u>\$ 1,560,677</u>	<u>\$11,152,384</u>

The total interest incurred in the business-type activities for the year ended June 30, 2021 was \$278,779, all of which was charged to expense.

NOTE 7 - GOVERNMENTAL FUND BALANCES

Governmental fund balances as of June 30, 2021 consisted of the following:

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
NONSPENDABLE			
Not in spendable form-inventories	\$ 11,903	\$ 40,278	\$ 52,181
Legally or contractually required to be maintained intact - cemetery perpetual care funds	<u>-</u>	<u>309,645</u>	<u>309,645</u>
	<u>11,903</u>	<u>349,923</u>	<u>361,826</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 7 - GOVERNMENTAL FUND BALANCES - CONTINUED

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
RESTRICTED			
Street expenditures	\$ -	\$ 130,562	\$ 130,562
Solid waste/sanitation expenditures	-	1,298,284	1,298,284
Drug enforcement	-	54,253	54,253
Grants and donations	<u>28,323</u>	<u>7,579</u>	<u>35,902</u>
	<u>28,323</u>	<u>1,490,678</u>	<u>1,519,001</u>
COMMITTED			
Airport expenditures	-	102,242	102,242
Museum expenditures	<u>-</u>	<u>87,138</u>	<u>87,138</u>
	<u>-</u>	<u>189,380</u>	<u>189,380</u>
ASSIGNED			
Fire expenditures	201,454	-	201,454
Street expenditures	38,000	-	38,000
Cemetery expenditures	-	11,738	11,738
Debt service	<u>-</u>	<u>2,623</u>	<u>2,623</u>
	<u>239,454</u>	<u>14,361</u>	<u>253,815</u>
UNASSIGNED	<u>3,477,703</u>	<u>-</u>	<u>3,477,703</u>
	<u>\$ 3,757,383</u>	<u>\$ 2,044,342</u>	<u>\$ 5,801,725</u>

NOTE 8 - OPERATING LEASES

The City is the lessor of certain farm land and airport buildings under cancelable operating leases. The cost of the farm land is approximately \$133,000. The cost and carrying amount of the airport buildings are included in a pool of airport improvement costs and, as such, their specific cost and carrying value is not readily determinable.

The City is the lessor of certain real property including buildings, parking areas, and facilities to a local non-profit organization at the rental rate of \$1 per year. The initial lease term expires February 1, 2036, but the lease shall automatically renew for an additional twenty years, upon all terms, conditions and obligations contained in the initial lease.

In March 2019, the City (lessor) executed a lease for the Biomass Gasification Plant under a noncancelable operating lease with a term of thirty years, including renewal options. The lessee has the option to offer to purchase the Biomass Gasification Plant at the end of the initial lease term or any option term of the lease. The rental payments are to be \$12,500 per month. The lease will not commence until all permitting is approved by the State of Tennessee, which is still pending. The cost and carrying amount of the Biomass Gasification Plant was \$2,243,189 and \$1,708,563, respectively, at June 30, 2021.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 9 - CONTINGENCIES AND COMMITMENTS

As of June 30, 2021, the City had entered into fixed price purchase commitments for the future delivery of natural gas in the amount of approximately \$819,000.

The City has entered into a contract for maintenance on water tanks through November 2021. The remaining balance on the contract as of June 30, 2021 was approximately \$57,000.

The City is a defendant in three lawsuits that arose in the normal course of business. While substantial damages are alleged in these actions, the outcomes cannot be predicted with certainty. In the opinion of the City's legal counsel, it is not presently possible to accurately assess exposure, but the City considers these cases to be without merit and intends to vigorously defend them.

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The full impact of the COVID-19 pandemic continues to evolve. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

NOTE 10 - PENSION AND RETIREMENT PLANS

General Information About the Plan

Plan administration - The City of Covington Pension Plan (Plan) is a single-employer defined benefit pension plan sponsored and administered by the City. Management of the Plan is vested in the Finance and Administration Committee which consists of the Mayor and 6 aldermen, each elected to 4-year terms. The Plan covers all full-time employees of the City hired before October 1, 2015, with the exception of employees of Covington Electric System, which are covered by another plan. All elected officials other than the Mayor are excluded from the Plan. Effective October 1, 2015, the Plan was closed to new participants. The Plan does not issue a standard-alone financial report.

Plan membership - At January 1, 2021, pension plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	75
Terminated participants entitled to but not yet receiving benefits	86
Active participants	<u>70</u>

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

General Information About the Plan - Continued

Benefits provided - The Plan provides retirement, disability and death benefits. Retirement benefits are calculated as the sum of (a) 1.30% of Average Annual Compensation up to \$16,800 times years of Credited Service, plus (b) 1.95 % of Average Annual Compensation in excess of \$16,800 times years of Credited Service Years not in excess of 35 years. The minimum benefit for a 100% Vested Participant is \$100 per month. Members are 100% vested (cliff vesting schedule) upon completion of seven years of service. The normal form of benefit is a straight life annuity with other actuarially equivalent forms available. Average Compensation is defined as Compensation for the highest 5-year consecutive period in the last 10 years. Compensation is defined as total compensation for a plan year, excluding reimbursements or other expense allowances, fringe benefits, moving expenses, deferred compensation, welfare benefits, overtime, bonuses and commissions. Normal retirement is the later of age 65 and the 5th anniversary of hire. Early retirement is the later of age 55 and 7 years of service with a benefit equal to the vested accrued benefit reduced by 0.50% for each month prior to age 62. Disability benefits are equal to the early retirement benefit without regard to age and service requirements. Death benefits are equal to the "minimum spouse's death benefit" as defined in the Internal Revenue Code.

Contributions - The City establishes the annual contributions based on the recommendations of an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by participants during the year, with an additional amount to finance any unfunded accrued liability. The City contributes at an actuarially determined rate. Administrative costs of the Plan are paid by the Plan. For the plan year ending December 31, 2020, the City's contribution rate was 31.25% of annual covered payroll. For the plan year ending December 31, 2021, the City's recommended contribution rate is 14.74% of projected covered payroll.

Investments

Investment policy - The Plan's assets are invested in Tennessee Retire Group Trust (TRGT). The following was the TRGT's adopted strategic asset allocation policy as of June 30, 2021:

Domestic Equity	33 %
International Equity	16 %
Private Equity	20 %
Real Estate	10 %
Fixed Income	20 %
Cash	1 %

Rate of return - For the year ended December 31, 2020 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Net Pension Liability (Asset) of the City

The City's net pension liability (asset) was measured as of June 30, 2021. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2021.

Actuarial assumptions - The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement. The results of this valuation were rolled forward to the reporting date of June 30, 2021:

Inflation	2.00%
Salary increases	3.50% including inflation
Investment rate of return	5.75% net of investment expense, including inflation

Mortality rates were based on the Society of Actuaries' RP2014 Table with MP2020 for males and females, as appropriate. Withdrawal rates were based on the Saranson Crocker Table T9.

The withdrawal and salary increase assumptions used in the January 1, 2021 valuation are based on the results of a study done for the 5 year period ending on December 31, 2019.

Changes in assumptions - In 2021, the following assumption was changed: increased inflation rate from 1.80% to 2.00%.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy above) are summarized in the following table.

Domestic Equity	4.00 %
International Equity	4.50 %
Private Equity	5.75 %
Real Estate	4.75 %
Fixed Income	.075 %
Cash	-1.25 %

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Net Pension Liability (Asset) of the City - Continued

Discount rate - The discount rate used to measure the total pension liability (asset) was 5.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be equal to 20% of covered payroll. Based on this assumption, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Amortization of Deferred Inflows and Outflows - The difference between actual investment results and expected returns are allocated to pension expense over a closed 5-year period. Gains and losses arising from demographic experience and from changes in actuarial assumptions are amortized over a closed period equal to the average expected remaining service lives of all participants. For the January 1, 2021 valuation, this period was 3.81 years, calculated as follows:

<u>Sum of the expected remaining service period for all actives participants</u>	=	<u>881</u>
Number of total pension plan participants (active and inactive)		231

Changes in net pension liability (asset):

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (ASSET) (a) - (b)
Balances at June 30, 2020	\$ 21,333,719	\$ 17,540,750	\$ 3,792,969
Changes for the year:			
Service Cost	236,264	-	236,264
Interest	1,207,400	-	1,207,400
Contributions - Employer	-	1,200,000	(1,200,000)
Actuarial Liability Loss (Gain) .	591,877	-	591,877
Change in Assumptions	(76,279)	-	(76,279)
Benefit Payments	(907,477)	(907,477)	-
Net Investment Income	-	5,317,779	(5,317,779)
Administrative Expense	-	(88,794)	88,794
Net Changes	1,051,785	5,521,508	(4,469,723)
Balances at June 30, 2021	\$ 22,385,504	\$ 23,062,258	\$ (676,754)

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Net Pension Liability (Asset) of the City - 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 5.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that was 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Current Rate (5.75%)	1% Increase (6.75%)
Net pension liability (asset)	\$ 2,648,089	\$ (676,754)	\$ (3,388,180)

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

For the fiscal year ended June 30, 2021, the City's recognized pension expense is \$917,384.

The City's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of June 30, 2021 are:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 461,587	\$ 520,816
Changes of Assumptions	538,305	502,697
Net difference between projected and actual earnings on pension plan assets	-	3,700,278
	\$ 999,892	\$ 4,723,791

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

Year ended June 30,	
2022	\$ (1,132,947)
2023	(957,767)
2024	(772,510)
2025	(860,675)
2026	-
Thereafter	-

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

General Information about the Pension Plan

Plan description - Employees of the City hired after October 1, 2015 are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 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 service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

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

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>56</u>
	<u>71</u>

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - 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. Employees are non-contributory. 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, 2021, the employer contributions for the City were \$162,291 based on a rate of 5.96 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's 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)

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

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

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

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

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

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Net Pension Liability (Asset) - Continued

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>	<u>TARGET ALLOCATION</u>
U.S. equity	5.69 %	31 %
Developed market international equity	5.29 %	14 %
Emerging market international equity	6.36 %	4 %
Private equity and strategic lending	5.79 %	20 %
U.S. fixed income	2.01 %	20 %
Real estate	4.32 %	10 %
Short-term securities	0.00 %	1 %
		<u>100 %</u>

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

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

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Net Pension Liability (Asset) - Continued

Changes in the Net Pension Liability (Asset):

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (ASSET) (a) - (b)
Balance at 6/30/19	\$ 212,231	\$ 205,348	\$ 6,883
Changes for the year:			
Service cost	104,250	-	104,250
Interest	22,945	-	22,945
Differences between expected and actual experience	(24,939)	-	(24,939)
Change in assumptions	-	-	-
Contributions - employer	-	130,104	(130,104)
Net investment income	-	13,288	(13,288)
Benefit payments	-	-	-
Administrative expenses	-	(4,970)	4,970
Other changes	-	-	-
Net changes	<u>102,256</u>	<u>138,422</u>	<u>(36,166)</u>
Balance at 6/30/20	<u>\$ 314,487</u>	<u>\$ 343,770</u>	<u>\$ (29,283)</u>

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

	1% DECREASE (6.25%)	CURRENT DISCOUNT RATE (7.25%)	1% INCREASE (8.25%)
Net pension liability (asset)	<u>\$ 54,424</u>	<u>\$ (29,283)</u>	<u>\$ (93,006)</u>

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

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

Pension expense - For the year ended June 30, 2021, the City recognized pension expense of \$118,277.

Deferred outflows of resources and deferred inflows of resource - For the year ended June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual experience	\$ 66,600	\$ 23,200
Net difference between projected and actual earnings on pension plan investments	4,427	-
Change in assumptions	233	-
Contributions subsequent to the measurement date of June 30, 2020	<u>162,291</u>	<u>-</u>
	<u>\$ 233,551</u>	<u>\$ 23,200</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 expenses as follows:

Year ended June 30,	
2022	\$ 5,527
2023	5,624
2024	5,733
2025	5,788
2026	4,561
Thereafter	20,827

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

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

General Information About the Plan

Plan description - The Covington Electric System's Retirement Plan Committee (Committee) accounts for the activity of the Plan for employees of the Electric System. The Plan is a single employer public employee retirement System (PERS) administered by Ellis & Ward Consulting Group Inc. All employees of the Covington Electric System participate as of April 1st following one year of service.

The Plan for employees of the Electric System issues a publically available report that can be obtained by contacting Ellis & Ward Consulting Group Inc. P.O. Box 2470, Cordova, TN 38088-2470.

Benefits provided: The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest at a rate of 20% per year beginning with three years of service. Employees may retire after age 60 and the completion of 10 years of service with a reduction for early commencement. The amount of normal retirement benefit to be provided for each Participant who retires on the Participant's Normal Retirement Date shall be a monthly income equal to the number of years of continuous service multiplied by 1.6% of the final average monthly compensation. For early retirement, death benefits and benefits upon termination of employment, the accrued retirement income will be determined using the final average monthly compensation and continuous services at the date of termination. A participant is eligible for early retirement when he/she has both completed at least 10 years of service and attained age sixty (60). The normal retirement for early retirement is the accrued retirement income calculated as described above, and reduced by an actuarial reduction factor due to younger age at retirement and earlier commencement of retirement income payments. Upon death of a participant after his/her initial vesting date and prior to his/her normal retirement date, his/her beneficiary will receive the actuarial equivalent of the participant's vested accrued benefit. A participant whose employment is terminated due to total and permanent disability shall be entitled to the retirement income at normal retirement age which the participant would have received had he continued in employment to his normal retirement date assuming constant earnings. The normal form of retirement is life only income.

At March 31, 2021, the Retirement Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	<u>10</u>

41

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

General Information About the Plan - Continued

Contributions - Required contributions are determined by the Plan for employees of the Electric System based on calculations performed 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.

Contributions are based on the employee's annual covered salary. For the year ended June 30, 2021, the contribution rate was 3.71%. The Electric System's required contribution for the year ended June 30, 2021 was \$47,610. Actual contributions for the year were \$47,610.

Net Pension Liability (Asset)

The Electric System's net pension liability (asset) was measured as of March 31, 2020, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability (asset) as of the March 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Aggregate
Asset valuation method	5 year asset smoothing method
Inflation	2.5%
Salary increases	3.0%, including inflation
Investment rate of return	6.5%, net of plan investment expense, including inflation
Retirement age	65
Mortality	PUB G-2010 for General Employees
Withdrawal rates	None

The actuarial assumptions used in the April 1, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period April 1, 2020 through March 31, 2021. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Discount rate - The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and the employer will continue to contribute the actuarially determined contribution in accordance with the plan's current funding policy on an annual basis. Based on that assumption, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore,

CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Net Pension Liability (Asset) - Continued

Discount rate - Continued

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 (asset).

Changes in the net pension liability (asset):

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (ASSET) (a) - (b)
Balances at March 31, 2020	\$ 4,402,015	\$ 4,750,861	\$ (348,846)
Changes for the year:			
Service cost	84,492	-	84,492
Interest cost	283,382	-	283,382
Difference between expected and actual experience	(154,836)	-	(154,836)
Changes in assumptions	-	-	-
Employer contributions	-	47,610	(47,610)
Net investment income	-	303,473	(303,473)
Actual versus expected income .	-	986,052	(986,052)
Benefit payments	(169,086)	(169,086)	-
Administrative expense	-	(42,625)	42,625
Net changes	<u>43,952</u>	<u>1,125,424</u>	<u>(1,081,472)</u>
Balances at March 31, 2021	<u>\$ 4,445,967</u>	<u>\$ 5,876,285</u>	<u>\$ (1,430,318)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of the Electric System calculated using the discount rate of 6.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate.

Net pension liability (asset) with a 1% decrease in discount rate: 5.5%	\$ (828,304)
Net pension liability (asset) at current discount rate: 6.5%	(1,430,318)
Net pension liability (asset) with a 1% increase in discount rate: 7.5%	(1,937,734)

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

For the year ended June 30, 2021, the Electric System recognized pension income of \$26,613. At June 30, 2021, deferred outflows of resources and deferred inflows of resources in relation to pensions were as follows:

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 10 - PENSION AND RETIREMENT PLANS - CONTINUED

Pension Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Difference between expected and actual experience	\$ 134,677	\$ 457,871
Net difference between projected and actual earnings in pension investments	-	466,539
Pension contributions subsequent to measurement date	25,913	-
	\$ 160,590	\$ 924,410

The amount shown above for “Pension contributions subsequent to measurement date”, will be recognized as a decrease to net pension liability in the following measurement period.

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

Year ended June 30,	
2022	\$(114,165)
2023	(106,098)
2024	(123,887)
2025	(222,152)
2026	(24,942)
Thereafter	(198,489)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

PLAN DESCRIPTION - Employees of the City are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) 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 pension (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

General Information about the OPEB Plan - Continued

BENEFITS PROVIDED - The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. 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 LGOP 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 the retiree premiums. The City does not directly subsidize and is only subject to the implicit subsidy. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

EMPLOYEES COVERED BY BENEFIT TERMS - At July 1, 2020, the following employees of the City were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>133</u>
	<u><u>135</u></u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP 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. For the fiscal year ended June 30, 2021, the City paid \$12,479 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

ACTUARIAL ASSUMPTIONS - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

General Information About the OPEB Plan - Continued

Total OPEB Liability - Continued

ACTUARIAL ASSUMPTIONS - Continued

Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 7.56% for post-65 in 2020, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
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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.
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Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020 valuations were the same as those employed in the July 1, 2019 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by the 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 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 2.21 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.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

General Information About the OPEB Plan - Continued

Changes in the Total OPEB Liability

	TOTAL OPEB LIABILITY (a)
BALANCE AT 6/30/19	<u>\$ 109,199</u>
CHANGES FOR THE YEAR	
Service cost	40,293
Interest	4,935
Changes of benefit terms	(12,158)
Differences between expected and actual experience	(5,849)
Changes in assumptions	12,151
Plan Changes	-
Benefit payments	<u>(17,935)</u>
NET CHANGES	<u>21,437</u>
 BALANCE AT 6/30/20	 <u><u>\$ 130,636</u></u>

CHANGES IN ASSUMPTIONS - The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE - The following presents the OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% DECREASE (1.21%)	CURRENT DISCOUNT RATE (2.21%)	1% INCREASE (3.21%)
Total OPEB liability	<u>\$ 142,669</u>	<u>\$ 130,636</u>	<u>\$ 119,745</u>

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATE - The following presents the total OPEB liability related to the LGOP, 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 or 1-percentage-point higher than the current healthcare cost trend rate.

	1% DECREASE (8.02%/6.56% DECREASING TO 3.50%)	HEALTHCARE COST TREND RATES (9.02%/7.56% DECREASING TO 4.50%)	1% INCREASE (10.02%/8.56% DECREASING TO 5.50%)
Total OPEB liability	<u>\$ 113,242</u>	<u>\$ 130,636</u>	<u>\$ 151,901</u>

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

General Information About the OPEB Plan - Continued

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

OPEB EXPENSE - For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$33,820.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - For the fiscal year ended June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between actual and expected experience	\$ -	\$ 5,154
Changes in assumptions	10,706	-
Employer payments subsequent to the measurement date . . .	<u>12,479</u>	<u>-</u>
Total	<u>\$ 23,185</u>	<u>\$ 5,154</u>

The amounts shown above for “employer payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period.

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

YEAR ENDED JUNE 30

2022	\$ 750
2023	750
2024	750
2025	750
2026	750
Thereafter	1,802

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

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 12 - DEFERRED COMPENSATION PLANS

The City offers its employees deferred compensation plans created in accordance with the Internal Revenue Code Sections 457 and 401(k), as a participating employer in the Tennessee State Employees Deferred Compensation Plan and Trust. The plans are available to all City employees with the exception of employees of Covington Electric System. The plans permit them to defer a portion of their salary until future years while the City does not match any contributions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

These assets are required to be placed in trust and the City does not control the assets in the trust, thus eliminating the requirement that assets be reflected in the statement of net position of the City.

The Electric System offers a deferred compensation plan (Covington Electric System Employees' 457 Plan) that is administered by VOYA. The contribution rates for this plan are determined by the employee while the Electric System does not match any contributions. The employee can change contributions rates at any time while on the plan. The amount of pension expense recognized by the Electric System in the current period was \$0. The amount of forfeitures reflected in pension expense were \$0 during the current period, and there will never be forfeitures due to the fact that the employee is 100% vested at the time of contribution. The Electric System did not have a liability at June 30, 2021.

NOTE 13 - POWER CONTRACT

The Electric System has a power contract with the Tennessee Valley Authority (TVA) whereby the Electric System purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues or property to other operations of the municipality and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

NOTE 14 - JOINT VENTURE

Following is summary information for HTL Advantage as of and for the fiscal year ended June 30, 2021, which is taken from its separately issued audited financial statements.

Cash	\$ 845,135
Other assets	<u>38,844</u>
Total assets	<u>\$ 883,979</u>
Liabilities	\$ 107,900
Net position	<u>776,079</u>
Total liabilities and net position .	<u>\$ 883,979</u>

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 14 - JOINT VENTURE - CONTINUED

Total revenues	\$ 309,026
Total expenses	<u>383,894</u>
Change in net position	<u>\$ (74,868)</u>

Complete financial statements for HTL Advantage can be obtained from the President/CEO at 132 East Pleasant Avenue, Covington, Tennessee 38019.

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City considers it to be more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers' compensation and property and casualty insurance. As such, the City participates in the Public Entities Partners risk management pool, which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee. The City pays an annual premium to the pool for its certain general liability, workers' compensation and property and casualty insurance. Each political subdivision that has participated in the pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the pool. The pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The City continues to carry commercial insurance for all other risks of loss, including certain general liability, workers' compensation, property and casualty insurance, and employee health, life and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no significant reduction in the amount of coverage provided during this year.

NOTE 16 - RISKS AND UNCERTAINTIES - PENSION PLANS

The plans invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 in the statement of net position available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**CITY OF COVINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTE 17 - RELATED PARTY TRANSACTIONS

Account balances and transactions with related organizations and joint venture are as follows:

<u>ENTITY</u>	<u>BALANCE FROM (TO)</u>	<u>REVENUE FROM</u>	<u>EXPENDITURE TO</u>
Covington Housing Authority	\$ 28,850	\$ 33,878	\$ -
HTL Advantage	-	-	50,000

NOTE 18 - SUBSEQUENT EVENTS

In May 2021, the City passed a resolution authorizing the sale of general obligation refunding bonds in an amount not to exceed \$4,775,000 for the purpose of refunding general obligation bonds and utility revenue bonds with an aggregate outstanding balance of \$4,613,038.

In June 2021, the City passed a resolution authorizing the sale of general obligation bonds in an amount not to exceed \$1,225,000 to be used for street paving and/or repaving.

In June 2021, notice was received that the City will receive 2.7 million dollars in American Rescue Plan Funding (ARP). The last day to spend or obligate these funds is December 31, 2024.

In February 2022, the City passed a resolution authorizing the issuance of general obligation capital outlay notes in an amount not to exceed \$869,000 to be used to convert street lights to LED lighting.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that the OPEB liability and the related deferred outflows had been omitted from the June 30, 2020 Governmental Activities financial statements. To correct this error, the beginning net position of the Governmental Activities in the government-wide Statement of Net Position of \$20,850,235, as originally reported, has been decreased to \$20,774,787. This adjustment decreased the change in net position by \$75,448 for the year ended June 30, 2020 and had no impact on the current year change in net position.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COVINGTON, TENNESSEE
CITY OF COVINGTON PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY								
Service Cost	\$ 236,264	\$ 368,017	\$ 466,870	\$ 451,271	\$ 489,410	\$ 415,308	\$ 556,576	\$ 555,479
Interest	1,207,400	1,213,500	1,094,500	1,169,500	1,146,100	1,101,200	962,300	857,122
Actuarial liability loss/(gain)	591,877	(830,110)	67,052	(320,630)	(139,075)	(240,798)	521,145	581,220
Changes in assumptions	(76,279)	(810,890)	1,390,654	(36,287)	(285,326)	305,165	(2,292,102)	(1,914,894)
Benefit payments, including return of participant contribution	(907,477)	(874,166)	(851,102)	(860,520)	(818,631)	(705,650)	(573,124)	(437,457)
Net change in pension liability	<u>1,051,785</u>	<u>(933,649)</u>	<u>2,167,974</u>	<u>403,334</u>	<u>392,478</u>	<u>875,225</u>	<u>(825,205)</u>	<u>(358,530)</u>
TOTAL PENSION LIABILITY, BEGINNING OF YEAR .	<u>21,333,719</u>	<u>22,267,368</u>	<u>20,099,393</u>	<u>19,696,059</u>	<u>19,303,581</u>	<u>18,428,356</u>	<u>19,253,561</u>	<u>19,612,091</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 22,385,504</u>	<u>\$ 21,333,719</u>	<u>\$ 22,267,367</u>	<u>\$ 20,099,393</u>	<u>\$ 19,696,059</u>	<u>\$ 19,303,581</u>	<u>\$ 18,428,356</u>	<u>\$ 19,253,561</u>
PLAN FIDUCIARY POSITION								
Contributions from employer	\$ 1,200,000	\$ 1,200,000	\$ 1,416,000	\$ 1,416,000	\$ 1,416,000	\$ 1,320,000	\$ 1,142,940	\$ 1,046,280
Net investment income (loss)	5,317,779	952,571	1,046,594	1,502,671	1,305,195	(16,071)	267,400	360,301
Benefit payments, including return of participant contributions	(907,477)	(874,166)	(851,102)	(860,520)	(818,631)	(705,650)	(573,124)	(434,561)
Administrative expenses	(88,794)	(107,173)	(100,367)	(67,108)	(62,274)	(57,705)	(70,406)	(28,104)
Net change in plan fiduciary position	<u>5,521,508</u>	<u>1,171,232</u>	<u>1,511,125</u>	<u>1,991,043</u>	<u>1,840,290</u>	<u>540,574</u>	<u>766,810</u>	<u>943,916</u>
PLAN FIDUCIARY POSITION, BEGINNING OF YEAR .	<u>17,540,750</u>	<u>16,369,518</u>	<u>14,858,393</u>	<u>12,867,350</u>	<u>11,027,060</u>	<u>10,486,486</u>	<u>9,719,676</u>	<u>8,775,760</u>
PLAN FIDUCIARY POSITION, END OF YEAR	<u>\$ 23,062,258</u>	<u>\$ 17,540,750</u>	<u>\$ 16,369,518</u>	<u>\$ 14,858,393</u>	<u>\$ 12,867,350</u>	<u>\$ 11,027,060</u>	<u>\$ 10,486,486</u>	<u>\$ 9,719,676</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (676,754)</u>	<u>\$ 3,792,969</u>	<u>\$ 5,897,849</u>	<u>\$ 5,241,000</u>	<u>\$ 6,828,709</u>	<u>\$ 8,276,521</u>	<u>\$ 7,941,870</u>	<u>\$ 9,533,885</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>103.02%</u>	<u>82.22%</u>	<u>73.51%</u>	<u>73.92%</u>	<u>65.33%</u>	<u>57.12%</u>	<u>56.90%</u>	<u>50.48%</u>
COVERED EMPLOYEE PAYROLL	<u>\$ 3,663,820</u>	<u>\$ 3,634,531</u>	<u>\$ 4,359,745</u>	<u>\$ 4,558,878</u>	<u>\$ 4,798,394</u>	<u>\$ 5,309,249</u>	<u>\$ 5,136,373</u>	<u>\$ 4,830,722</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>(18.47%)</u>	<u>104.36%</u>	<u>135.28%</u>	<u>114.96%</u>	<u>142.31%</u>	<u>155.89%</u>	<u>154.62%</u>	<u>197.36%</u>

**CITY OF COVINGTON, TENNESSEE
CITY OF COVINGTON PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS - CONTINUED
YEAR ENDED JUNE 30, 2021**

NOTES TO SCHEDULE

Valuation date: Actuarially determined contribution rates are calculated as of January 1st prior to the end of the fiscal year in which contributions are reported.

Benefit changes: None

Methods and assumptions used to determine contribution rates for January 1, 2019 valuation

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	Market value including contributions receivable
Inflation	2.00%
Salary increases	3.50% including inflation
Investment rate of return	5.75% net of investment expense, including inflation
Retirement age	Later of 65 or current age
Mortality	Society of Actuaries, RP2014 Table with MP 2020 for Males or Females, as appropriate
Withdrawal	Sarason Crocker Table T9
Marriage	85% of Participants are assumed to be married, with males 3 years younger
Rehire rates	None assumed

Differences in methods and assumptions used to determine contribution rates for prior valuations

Actuarial cost method	Prior to January 1, 2015, Projected Union Credit
Inflation	1.80% in prior year
Discount rate	See rates in Schedule of City Contributions
Investment rate of return	See rates in Schedule of City Contributions
Mortality	From January 1, 2011 to December 31, 2015, the 1994 Group Annuity Reserving Table; January 1, 2016, the Society of Actuaries RP2014 Table with MP2015 for Males or Females, as appropriate, January 1, 2017, the Society of Actuaries, RP2014 Table with MP 2016 for Males or Females, as appropriate, January 1, 2019, the Society of Actuaries, RP2014 Table with MP 2018 for Males or Females, as appropriate, January 1, 2020, the Society of Actuaries, RP2014 Table with MP 2019 for Males or Females as appropriate.
Withdrawal	Prior to January 1, 2020, Sarason Crocker Table T5

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**CITY OF COVINGTON, TENNESSEE
CITY OF COVINGTON PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021**

<u>PLAN YEAR ENDED</u>	<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>
Actuarially determined contributions	\$ 654,268	\$ 1,189,360	\$ 860,254	\$ 1,117,376	\$ 1,167,346	\$ 1,079,633	\$ 1,173,543	\$ 1,446,948	\$ 1,357,490	\$ 866,614
Actual contributions	<u>1,200,000</u>	<u>1,308,000</u>	<u>1,416,000</u>	<u>1,416,000</u>	<u>1,368,000</u>	<u>1,231,470</u>	<u>1,181,845</u>	<u>1,133,535</u>	<u>898,920</u>	<u>945,000</u>
Contribution excess (deficiency)	<u>\$ 545,732</u>	<u>\$ 118,640</u>	<u>\$ 555,746</u>	<u>\$ 298,624</u>	<u>\$ 200,654</u>	<u>\$ 151,837</u>	<u>\$ 8,302</u>	<u>\$ (313,413)</u>	<u>\$ (458,570)</u>	<u>\$ 78,386</u>
Covered employee payroll	<u>\$ 3,839,557</u>	<u>\$ 4,281,857</u>	<u>\$ 4,415,507</u>	<u>\$ 4,684,433</u>	<u>\$ 4,798,394</u>	<u>\$ 5,309,249</u>	<u>\$ 5,136,373</u>	<u>\$ 4,980,764</u>	<u>\$ 4,923,916</u>	<u>\$ 4,730,687</u>
Contribution as a percentage of covered employee payroll	<u>31.25%</u>	<u>30.55%</u>	<u>32.07%</u>	<u>30.23%</u>	<u>28.51%</u>	<u>23.19%</u>	<u>23.01%</u>	<u>22.76%</u>	<u>18.26%</u>	<u>19.98%</u>
Discount rate/assumed investment return	5.75%/5.75%	5.50%/5.50%	6.00%/6.00%	6.00%/6.00%	6.00%/6.50%	6.00%/7.00%	5.00%/7300	4.25%/4.25%	4.50%/4.50%	5.50%/6.50%

NOTES TO SCHEDULES

Valuation date

Actuarially determined contribution rates are calculated as of January 1st prior to the end of the fiscal year in which contributions are reported.

Benefit changes: None

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	Market value including contributions receivable
Inflation	2.0%
Salary increases	3.5%, average, including inflation
Investment rate of return	5.75%, net of investment expense, including inflation
Retirement age	Later of 65 or current age
Mortality	Society of Actuaries, RP2014 Table with MP2020 for males and females, as appropriate
Withdrawal	Sarason Crocker Table T9
Marriage	85% of participants are assumed to be married, with males 3 years younger
Rehire rates	None assumed

Difference in methods and assumptions used to determine contribution rates for prior valuations

Actuarial cost method	Prior to January 1, 2015, Projected Unit Credit
Inflation	1.80% in prior year
Discount rate	See above
Investment rate of return	See above
Mortality	From January 1, 2011 to December 31, 2015, the 1994 Group Annuity Reserving Table; January 1, 2016, the Society of Actuaries RP2014 Table with MP2015 for Males or Females, as appropriate. RP2014 Table with MP2015 for Males or Females, as appropriate. January 1, 2017, the Society of Actuaries, RP2014 Table with MP 2016 for Males or Females, as appropriate, January 1, 2019, the Society of Actuaries, RP2014 Table with MP 2018 for Males or Females, as appropriate, January 1, 2020, the Society of Actuaries , RP2014 Table with MP 2019 for Males or Females as appropriate.
Withdrawal	Prior to January 1, 2020, Sarason Crocker Table T5

**CITY OF COVINGTON, TENNESSEE
CITY OF COVINGTON PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return	<u>15.99%</u>	<u>21.69%</u>	<u>(5.91%)</u>	<u>18.13%</u>	<u>5.25%</u>	<u>(1.37%)</u>	<u>3.74%</u>	<u>3.83%</u>

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND
RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS
YEAR ENDED JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 104,250	\$ 74,065	\$ 31,573	\$ 2,492	\$ 2,112
Interest	22,945	12,628	3,513	311	158
Changes in benefit terms	-	-	-	-	-
Difference between actual and expected experience	(24,939)	25,425	48,143	12,081	(619)
Change in assumptions	-	-	-	349	-
Benefit payments, including refunds of employee contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in pension liability	102,256	112,118	83,229	15,233	1,651
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>212,231</u>	<u>100,113</u>	<u>16,884</u>	<u>1,651</u>	<u>-</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 314,487</u>	<u>\$ 212,231</u>	<u>\$ 100,113</u>	<u>\$ 16,884</u>	<u>\$ 1,651</u>
PLAN FIDUCIARY POSITION					
Contributions from employer	130,104	\$ 115,511	\$ 57,739	\$ 23,049	\$ 2,112
Contributions from employees	-	-	-	-	-
Net investment income	13,288	10,373	4,314	1,425	26
Benefit payments, including return of participant contributions	-	-	-	-	-
Administrative expenses	<u>(4,970)</u>	<u>(4,161)</u>	<u>(3,056)</u>	<u>(1,648)</u>	<u>(336)</u>
Net change in plan fiduciary position .	138,422	121,723	58,997	22,826	1,802
PLAN FIDUCIARY POSITION BEGINNING OF YEAR	<u>205,348</u>	<u>83,625</u>	<u>24,628</u>	<u>1,802</u>	<u>-</u>
PLAN FIDUCIARY POSITION END OF YEAR	<u>\$ 343,770</u>	<u>\$ 205,348</u>	<u>\$ 83,625</u>	<u>\$ 24,628</u>	<u>\$ 1,802</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (29,283)</u>	<u>\$ 6,883</u>	<u>\$ 16,488</u>	<u>\$ (7,744)</u>	<u>\$ (151)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>109.31%</u>	<u>96.76%</u>	<u>83.53%</u>	<u>145.87%</u>	<u>109.15%</u>
COVERED EMPLOYEE PAYROLL	<u>\$2,159,991</u>	<u>\$1,936,698</u>	<u>\$1,147,892</u>	<u>\$ 390,656</u>	<u>\$ 35,804</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>(1.36%)</u>	<u>0.36%</u>	<u>1.44%</u>	<u>(1.98%)</u>	<u>(0.42%)</u>

NOTES TO SCHEDULE

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

2016 was the initial year of participation in TCRS.

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contributions	\$ 162,291	\$ 130,104	\$ 115,511	\$ 57,739	\$ 23,047	\$ 2,112
Actual contributions	<u>162,291</u>	<u>130,104</u>	<u>115,511</u>	<u>57,739</u>	<u>23,047</u>	<u>2,112</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 2,723,004</u>	<u>\$ 2,159,991</u>	<u>\$ 1,971,177</u>	<u>\$ 1,147,892</u>	<u>\$ 390,627</u>	<u>\$ 35,804</u>
Contribution as a percentage of covered employee payroll	<u>5.96%</u>	<u>6.02%</u>	<u>5.86%</u>	<u>5.03%</u>	<u>5.90%</u>	<u>5.90%</u>

2016 was the initial year of participation in TCRS.

NOTES TO SCHEDULE

Valuation date

Actuarially determined contribution rates for fiscal year 2021 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 percent corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25%, 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 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

CITY OF COVINGTON, TENNESSEE
COVINGTON ELECTRIC SYSTEM'S DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY (ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY							
Service cost	\$ 84,492	\$ 101,204	\$ 99,478	\$ 103,352	\$ 91,976	\$ 95,438	\$ 92,286
Interest	283,382	265,821	245,008	237,814	217,905	207,893	201,831
Changes of benefit terms	-	-	-	-	-	-	-
Difference between actual and expected experience	(154,836)	65,260	(183,733)	(104,479)	109,220	(36,904)	(102,458)
Changes in assumptions	-	-	292,016	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(169,086)</u>	<u>(138,477)</u>	<u>(128,358)</u>	<u>(119,767)</u>	<u>(117,249)</u>	<u>(104,077)</u>	<u>(95,873)</u>
Net change in pension liability	43,952	293,808	324,411	116,920	301,852	162,350	95,786
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>4,402,015</u>	<u>4,108,207</u>	<u>3,783,796</u>	<u>3,666,876</u>	<u>3,365,024</u>	<u>3,202,674</u>	<u>3,106,888</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 4,445,967</u>	<u>\$ 4,402,015</u>	<u>\$ 4,108,207</u>	<u>\$ 3,783,796</u>	<u>\$ 3,666,876</u>	<u>\$ 3,365,024</u>	<u>\$ 3,202,674</u>
PLAN FIDUCIARY POSITION							
Contributions from employer	\$ 47,610	\$ 25,130	\$ 1,632,956	\$ 146,866	\$ 135,141	\$ 120,292	\$ 127,307
Contributions from employees	-	-	-	-	-	-	-
Net investment income (loss)	303,473	324,673	270,142	246,691	285,550	(75,956)	164,946
Actual vs expected income	986,052	(491,324)	(88,559)	-	-	-	-
Benefit payments, including refunds of employee contributions	(169,086)	(138,477)	(128,358)	(119,767)	(117,249)	(104,077)	(95,873)
Administrative expenses	<u>(42,625)</u>	<u>(41,588)</u>	<u>(34,943)</u>	<u>(27,583)</u>	<u>(28,884)</u>	<u>(23,130)</u>	<u>(28,073)</u>
Net change in plan fiduciary position	1,125,424	(321,586)	1,651,238	246,207	274,558	(82,871)	168,307
PLAN FIDUCIARY POSITION, BEGINNING OF YEAR	<u>4,750,861</u>	<u>5,072,447</u>	<u>3,421,209</u>	<u>3,175,002</u>	<u>2,900,444</u>	<u>2,983,315</u>	<u>2,815,008</u>
PLAN FIDUCIARY POSITION, END OF YEAR	<u>\$ 5,876,285</u>	<u>\$ 4,750,861</u>	<u>\$ 5,072,447</u>	<u>\$ 3,421,209</u>	<u>\$ 3,175,002</u>	<u>\$ 2,900,444</u>	<u>\$ 2,983,315</u>
NET PENSION LIABILITY (ASSET)	<u>\$(1,430,318)</u>	<u>\$(348,846)</u>	<u>\$(964,240)</u>	<u>\$ 362,587</u>	<u>\$ 491,874</u>	<u>\$ 464,580</u>	<u>\$ 219,359</u>

**CITY OF COVINGTON, TENNESSEE
 COVINGTON ELECTRIC SYSTEM'S DEFINED BENEFIT PLAN
 SCHEDULE OF CHANGES IN NET PENSION
 LIABILITY (ASSET) AND RELATED RATIOS - CONTINUED
 YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>132.17%</u>	<u>107.92%</u>	<u>123.47%</u>	<u>90.42%</u>	<u>86.59%</u>	<u>86.19%</u>	<u>93.15%</u>
COVERED EMPLOYEE PAYROLL	<u>\$1,284,349</u>	<u>\$1,236,503</u>	<u>\$1,146,661</u>	<u>\$1,216,369</u>	<u>\$1,255,270</u>	<u>\$1,105,403</u>	<u>\$1,150,884</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>(111.37%)</u>	<u>(28.21%)</u>	<u>(84.09%)</u>	<u>29.81%</u>	<u>39.18%</u>	<u>42.03%</u>	<u>19.06%</u>

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**CITY OF COVINGTON, TENNESSEE
COVINGTON ELECTRIC SYSTEM'S DEFINED BENEFIT PLAN
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 47,610	\$ 25,130	\$ 132,956	\$ 146,866	\$ 135,141	\$ 120,292	\$ 127,307
Actual contributions	<u>47,610</u>	<u>25,130</u>	<u>1,658,086</u>	<u>146,866</u>	<u>135,141</u>	<u>120,292</u>	<u>127,307</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,525,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$1,284,349</u>	<u>\$1,236,503</u>	<u>\$1,146,661</u>	<u>\$1,216,369</u>	<u>\$1,255,270</u>	<u>\$1,105,403</u>	<u>\$1,150,884</u>
Contribution as a percentage of covered employee payroll	<u>3.71%</u>	<u>2.03%</u>	<u>144.60%</u>	<u>12.07%</u>	<u>10.77%</u>	<u>10.88%</u>	<u>11.06%</u>

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

NOTES TO SCHEDULE

Valuation date

Actuarially determined contribution rates are calculated as of April 1, three months prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Aggregate cost
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation	5 year asset smoothing method
Inflation	2.50%
Withdrawal rates	None
Salary increases	3.0%, including inflation
Investment rate of return	6.50%, average, net of plan investment expenses, including inflation
Retirement age	Age 65
Mortality	PUB G-2010 for general employees

**CITY OF COVINGTON, TENNESSEE
 COVINGTON ELECTRIC SYSTEM'S DEFINED BENEFIT PLAN
 SCHEDULE OF INVESTMENT RETURNS
 YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money - weighted rate of return	<u>26.60%</u>	<u>(3.39%)</u>	<u>4.28%</u>	<u>6.70%</u>	<u>8.70%</u>	<u>(3.30%)</u>	<u>4.80%</u>

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**CITY OF COVINGTON, TENNESSEE
SCHEDULE OF CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR ENDED JUNE 30**

	<u>2021</u>	<u>2020</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 40,293	\$ -
Interest	4,935	-
Changes in benefit terms	(12,158)	-
Differences between expected and actual experience	(5,849)	-
Changes in assumptions	12,151	-
Plan changes	-	109,199
Benefit payments	<u>(17,935)</u>	<u>-</u>
Net change in total OPEB liability	21,437	109,199
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>109,199</u>	<u>-</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 130,636</u>	<u>\$ 109,199</u>
COVERED EMPLOYEE PAYROLL .	<u>\$7,269,987</u>	N/A
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	<u>1.80%</u>	N/A

NOTES TO SCHEDULE

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.

COMBINING FUND FINANCIAL STATEMENTS

**CITY OF COVINGTON, TENNESSEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	SPECIAL REVENUE FUNDS					
	STATE STREET AID FUND	AIRPORT FUND	COMMUNITY DEVELOPMENT FUND	SOLID WASTE/ SANITATION FUND	TIPTON COUNTY MUSEUM FUND	DRUG FUND
ASSETS						
Cash	\$ 138,544	\$ 184,771	\$ 255,624	\$ 1,194,440	\$ 92,013	\$ 56,438
Accounts receivable ...	-	18,411	-	208,708	-	-
Grants receivable	-	5,023	-	-	2,556	-
Due from other funds ..	-	-	-	2,173	-	-
Due from						
State of Tennessee	53,233	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Fuel inventory	-	40,278	-	-	-	-
TOTAL ASSETS	\$ 191,777	\$ 248,483	\$ 255,624	\$ 1,405,321	\$ 94,569	\$ 56,438
LIABILITIES						
Accounts payable	\$ 61,215	\$ 42,646	\$ -	\$ 92,303	\$ 1,403	\$ 2,185
Accrued expenses	-	2,683	-	9,379	3,472	-
Due to other funds	-	486	-	2,369	-	-
Advances from other funds	-	-	-	2,986	-	-
Unearned revenue - grant revenue	-	-	255,624	-	-	-
Unearned revenue - rent revenue	-	55,125	-	-	-	-
TOTAL LIABILITIES	61,215	100,940	255,624	107,037	4,875	2,185
FUND BALANCE						
Nonspendable	-	40,278	-	-	-	-
Restricted	130,562	5,023	-	1,298,284	2,556	54,253
Committed	-	102,242	-	-	87,138	-
Assigned	-	-	-	-	-	-
TOTAL FUND BALANCE	130,562	147,543	-	1,298,284	89,694	54,253
TOTAL LIABILITIES AND FUND BALANCE	\$ 191,777	\$ 248,483	\$ 255,624	\$ 1,405,321	\$ 94,569	\$ 56,438

**CITY OF COVINGTON, TENNESSEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2021**

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>TOTALS</u>	<u>PBACCT BOND FUND</u>	<u>MUNFORD CEMETERY FUND</u>	
ASSETS				
Cash	\$ 1,921,830	\$ 2,623	\$ 330,899	\$ 2,255,352
Accounts receivable	227,119	-	-	227,119
Grants receivable	7,579	-	-	7,579
Due from other funds	2,173	-	-	2,173
Due from State of Tennessee .	53,233	-	-	53,233
Other receivables	-	-	-	-
Fuel inventory	<u>40,278</u>	<u>-</u>	<u>-</u>	<u>40,278</u>
TOTAL ASSETS	<u>\$ 2,252,212</u>	<u>\$ 2,623</u>	<u>\$ 330,899</u>	<u>\$ 2,585,734</u>
LIABILITIES				
Accounts payable	\$ 199,752	\$ -	\$ -	\$ 199,752
Accrued expenses	15,534	-	6,899	22,433
Due to other funds	2,855	-	2,617	5,472
Advances from other funds ..	2,986	-	-	2,986
Unearned revenue - grant revenue	255,624	-	-	255,624
Unearned revenue - rent revenue	<u>55,125</u>	<u>-</u>	<u>-</u>	<u>55,125</u>
TOTAL LIABILITIES ..	<u>531,876</u>	<u>-</u>	<u>9,516</u>	<u>541,392</u>
FUND BALANCE				
Nonspendable	40,278	-	309,645	349,923
Restricted	1,490,678	-	-	1,490,678
Committed	189,380	-	-	189,380
Assigned	<u>-</u>	<u>2,623</u>	<u>11,738</u>	<u>14,361</u>
TOTAL FUND BALANCE	<u>1,720,336</u>	<u>2,623</u>	<u>321,383</u>	<u>2,044,342</u>
TOTAL LIABILITIES AND FUND BALANCE .	<u>\$ 2,252,212</u>	<u>\$ 2,623</u>	<u>\$ 330,899</u>	<u>\$ 2,585,734</u>

CITY OF COVINGTON, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS					
	STATE STREET AID FUND	AIRPORT FUND	COMMUNITY DEVELOP- MENT FUND	SOLID WASTE SANITATION FUND	TIPTON COUNTY MUSEUM FUND	
REVENUES						
Intergovernmental						
revenues	\$ 320,124	\$ 107,717	\$ 671	\$ -	\$ 73,556	\$ -
Charges for services	-	368,872	-	1,611,869	7,952	-
Fines, forfeits, and						
penalties	-	-	-	-	-	32,012
Other revenues	10,754	1,358	-	15,757	9,688	10
TOTAL REVENUES ...	<u>330,878</u>	<u>477,947</u>	<u>671</u>	<u>1,627,626</u>	<u>91,196</u>	<u>32,022</u>
EXPENDITURES						
Public safety	-	-	-	-	-	8,629
Public works	413,939	-	-	1,529,502	-	-
Health, welfare,						
recreation and education ...	-	446,480	671	-	163,848	-
Debt service	-	-	-	10,782	-	-
TOTAL						
EXPENDITURES	<u>413,939</u>	<u>446,480</u>	<u>671</u>	<u>1,540,284</u>	<u>163,848</u>	<u>8,629</u>
EXCESS OF REVENUES						
OVER (UNDER)						
EXPENDITURES	<u>(83,061)</u>	<u>31,467</u>	<u>-</u>	<u>87,342</u>	<u>(72,652)</u>	<u>23,393</u>
OTHER FINANCING						
SOURCES (USES)						
Transfers in	-	50,000	-	-	71,000	-
Proceeds from capital asset						
sales and insurance	-	-	-	-	-	23,350
Proceeds from capital lease .	-	-	-	48,920	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER						
FINANCING						
SOURCES (USES)	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>48,920</u>	<u>71,000</u>	<u>23,350</u>
NET CHANGE IN						
FUND BALANCE	<u>(83,061)</u>	<u>81,467</u>	<u>-</u>	<u>136,262</u>	<u>(1,652)</u>	<u>46,743</u>
FUND BALANCE						
Balance at July 1, 2020	<u>213,623</u>	<u>66,076</u>	<u>-</u>	<u>1,162,022</u>	<u>91,346</u>	<u>7,510</u>
Balance at June 30, 2021 ...	<u>\$ 130,562</u>	<u>\$ 147,543</u>	<u>\$ -</u>	<u>\$ 1,298,284</u>	<u>\$ 89,694</u>	<u>\$ 54,253</u>

CITY OF COVINGTON, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS			TOTALS
		AIRPORT IMPROVEMENTS CONSTRUCTION BOND FUND	PBACCT BOND FUND	GENERAL OBLIGATION REFUNDING BOND FUND	
		TOTALS			
REVENUES					
Intergovernmental revenues	\$ 502,068	\$ -	\$ -	\$ -	\$ -
Charges for services	1,988,693	-	-	-	-
Fines, forfeits, and penalties	32,012	-	-	-	-
Other revenues	37,567	1	1	2	4
TOTAL REVENUES ..	2,560,340	1	1	2	4
EXPENDITURES					
Public safety	8,629	-	-	-	-
Public works	1,943,441	-	-	-	-
Health, welfare,- recreation and education ..	610,999	-	-	-	-
Debt service	10,782	1,069	163,423	4,943	169,435
TOTAL EXPENDITURES	2,573,851	1,069	163,423	4,943	169,435
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,511)	(1,068)	(163,422)	(4,941)	(169,431)
OTHER FINANCING SOURCES (USES)					
Transfers in	121,000	-	163,423	-	163,423
Proceeds from capital asset sales and insurance	23,350	-	-	-	-
Proceeds from capital lease	48,920	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES) ...	193,270	-	163,423	-	163,423
NET CHANGE IN FUND BALANCE	179,759	(1,068)	1	(4,941)	(6,008)
FUND BALANCE					
Balance at July 1, 2020 ...	1,540,577	1,068	2,622	4,941	8,631
Balance at June 30, 2021 ..	\$ 1,720,336	\$ -	\$ 2,623	\$ -	\$ 2,623

CITY OF COVINGTON, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
YEAR ENDED JUNE 30, 2021

	<u>PERMANENT FUND MUNFORD CEMETERY FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES		
Intergovernmental		
revenues	\$ -	\$ 502,068
Charges for services	6,423	1,995,116
Fines, forfeits, and penalties	-	32,012
Other revenues	<u>5,017</u>	<u>42,588</u>
TOTAL REVENUES ..	<u>11,440</u>	<u>2,571,784</u>
EXPENDITURES		
Public safety	-	8,629
Public works	-	1,943,441
Health, welfare, recreation and education ..	-	610,999
Debt service	<u>-</u>	<u>180,217</u>
TOTAL EXPENDITURES	<u>-</u>	<u>2,743,286</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,440</u>	<u>(171,502)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	284,423
Proceeds from capital asset sales and insurance	-	23,350
Proceeds from capital lease	-	48,920
Transfers out	<u>(2,217)</u>	<u>(2,217)</u>
TOTAL OTHER FINANCING SOURCES (USES) ...	<u>(2,217)</u>	<u>354,476</u>
NET CHANGE IN FUND BALANCE	9,223	182,974
FUND BALANCE		
Balance at July 1, 2020 ...	<u>312,160</u>	<u>1,861,368</u>
Balance at June 30, 2021 ..	<u>\$ 321,383</u>	<u>\$ 2,044,342</u>

SCHEDULES

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - STATE STREET AID FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental revenues				
State gasoline and motor fuel tax	\$ -	\$ -	\$ 164,386	\$ -
State gas 3 cent tax	-	-	47,430	-
State gas 1989 tax	-	-	25,597	-
State gas 2017 tax	-	-	<u>82,711</u>	-
	<u>316,000</u>	<u>316,000</u>	320,124	4,124
Other revenues	<u>8,000</u>	<u>8,000</u>	<u>10,754</u>	<u>2,754</u>
TOTAL REVENUES	<u>324,000</u>	<u>324,000</u>	<u>330,878</u>	<u>6,878</u>
EXPENDITURES				
Public works				
Building materials	-	-	42,560	-
Street lighting	-	-	159,509	-
Capital outlay	-	-	<u>211,870</u>	-
TOTAL EXPENDITURES	<u>324,000</u>	<u>404,000</u>	<u>413,939</u>	<u>(9,939)</u>
EXCESS OF REVENUES				
(UNDER) EXPENDITURES	-	(80,000)	(83,061)	(3,061)
FUND BALANCE				
Balance at July 1, 2020	<u>213,623</u>	<u>213,623</u>	<u>213,623</u>	-
Balance at June 30, 2021	<u>\$ 213,623</u>	<u>\$ 133,623</u>	<u>\$ 130,562</u>	<u>\$ (3,061)</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - AIRPORT FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental revenues				
Federal grants	\$ -	\$ -	\$ 106,797	\$ -
State grants	-	-	920	-
	<u>110,000</u>	<u>110,000</u>	<u>107,717</u>	<u>(2,283)</u>
Charges for services	358,700	358,700	368,872	10,172
Other revenues	-	-	1,358	1,358
TOTAL REVENUES	<u>468,700</u>	<u>468,700</u>	<u>477,947</u>	<u>9,247</u>
EXPENDITURES				
Health, welfare, recreation, and education				
Personal services	-	-	176,199	-
Contractual services	-	-	50,421	-
Supplies	-	-	139,838	-
Fixed charges	-	-	12,819	-
Capital outlay	-	-	67,203	-
TOTAL EXPENDITURES	<u>518,500</u>	<u>518,500</u>	<u>446,480</u>	<u>72,020</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(49,800)</u>	<u>(49,800)</u>	<u>31,467</u>	<u>81,267</u>
OTHER FINANCING SOURCES				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	200	200	81,467	81,267
FUND BALANCE				
Balance at July 1, 2020	<u>66,076</u>	<u>66,076</u>	<u>66,076</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 66,276</u>	<u>\$ 66,276</u>	<u>\$ 147,543</u>	<u>\$ 81,267</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenues				
Federal grants	\$ 11,000	\$ 11,000	\$ 671	\$ (10,329)
EXPENDITURES				
Health, welfare, recreation, and education				
Contractual services	<u>-</u>	<u>-</u>	<u>671</u>	<u>-</u>
TOTAL EXPENDITURES ..	<u>11,000</u>	<u>11,000</u>	<u>671</u>	<u>10,329</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE				
Balance at July 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - SOLID WASTE/SANITATION FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for services	\$ 1,585,000	\$ 1,585,000	\$ 1,611,869	\$ 26,869
Other revenues	<u>18,000</u>	<u>18,000</u>	<u>15,757</u>	<u>(2,243)</u>
TOTAL REVENUES	<u>1,603,000</u>	<u>1,603,000</u>	<u>1,627,626</u>	<u>24,626</u>
EXPENDITURES				
Public works				
Personal services	-	-	342,673	-
Contractual services	-	-	1,102,132	-
Supplies	-	-	21,730	-
Building materials	-	-	6,977	-
Fixed charges	-	-	3,091	-
Capital outlay	<u>-</u>	<u>-</u>	<u>52,899</u>	<u>-</u>
Total public works	<u>1,472,175</u>	<u>1,457,175</u>	<u>1,529,502</u>	<u>(72,327)</u>
Debt Service				
Principal retirement	-	-	10,655	-
Interest and fees	<u>-</u>	<u>-</u>	<u>127</u>	<u>-</u>
Total debt service	<u>2,630</u>	<u>17,630</u>	<u>10,782</u>	<u>6,848</u>
TOTAL EXPENDITURES	<u>1,474,805</u>	<u>1,474,805</u>	<u>1,540,284</u>	<u>(65,479)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	128,195	128,195	87,342	(40,853)
OTHER FINANCING SOURCES				
Proceeds from capital lease obligation	<u>-</u>	<u>-</u>	<u>48,920</u>	<u>48,920</u>
NET CHANGE IN FUND BALANCE	128,195	128,195	136,262	8,067
FUND BALANCE				
Balance at July 1, 2020	<u>1,162,022</u>	<u>1,162,022</u>	<u>1,162,022</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 1,290,217</u>	<u>\$ 1,290,217</u>	<u>\$ 1,298,284</u>	<u>\$ 8,067</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - TIPTON COUNTY MUSEUM FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental revenues				
Tipton County grant	\$ -	\$ -	\$ 71,000	\$ -
Federal grant	-	-	2,556	-
	<u>71,000</u>	<u>71,000</u>	<u>73,556</u>	<u>2,556</u>
Charges for services	13,000	13,000	7,952	(5,048)
Other revenues	<u>3,500</u>	<u>3,500</u>	<u>9,688</u>	<u>6,188</u>
TOTAL REVENUES	<u>87,500</u>	<u>87,500</u>	<u>91,196</u>	<u>3,696</u>
EXPENDITURES				
Health, welfare, recreation and education				
Museum/Nature Center				
Personal services	-	-	115,942	-
Contractual services	-	-	29,347	-
Supplies	-	-	7,714	-
Fixed charges	-	-	5,024	-
Capital outlay	-	-	<u>5,821</u>	-
TOTAL EXPENDITURES	<u>178,800</u>	<u>178,800</u>	<u>163,848</u>	<u>14,952</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(91,300)	(91,300)	(72,652)	18,648
OTHER FINANCING SOURCES				
Transfers in	<u>71,000</u>	<u>71,000</u>	<u>71,000</u>	-
NET CHANGE IN FUND BALANCE	(20,300)	(20,300)	(1,652)	18,648
FUND BALANCE				
Balance at July 1, 2020	<u>91,346</u>	<u>91,346</u>	<u>91,346</u>	-
Balance at June 30, 2021	<u>\$ 71,046</u>	<u>\$ 71,046</u>	<u>\$ 89,694</u>	<u>\$ 18,648</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - DRUG FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Fines, forfeits, and penalties	\$ 24,000	\$ 24,000	\$ 32,012	\$ 8,012
Other revenues	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
TOTAL REVENUES	<u>24,000</u>	<u>24,000</u>	<u>32,022</u>	<u>8,022</u>
EXPENDITURES				
Public safety				
Drug investigation and control				
Supplies	-	-	2,694	-
Capital outlay	<u>-</u>	<u>-</u>	<u>5,935</u>	<u>-</u>
TOTAL EXPENDITURES	<u>17,000</u>	<u>17,000</u>	<u>8,629</u>	<u>8,371</u>
EXCESS OF REVENUES OVER EXPENDITURES	7,000	7,000	23,393	16,393
OTHER FINANCING SOURCES				
Proceeds from capital asset sales and insurance	<u>-</u>	<u>-</u>	<u>23,350</u>	<u>23,350</u>
NET CHANGE IN FUND BALANCE	7,000	7,000	46,743	39,743
FUND BALANCE				
Balance at July 1, 2020	<u>7,510</u>	<u>7,510</u>	<u>7,510</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 14,510</u>	<u>\$ 14,510</u>	<u>\$ 54,253</u>	<u>\$ 39,743</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - PBACCT BOND FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Other revenues	\$ -	\$ -	\$ 1	\$ 1
EXPENDITURES				
Principal retirement	-	-	153,200	-
Interest and fees	-	-	<u>10,223</u>	-
TOTAL EXPENDITURES	<u>173,000</u>	<u>173,000</u>	<u>163,423</u>	<u>9,577</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(173,000)	(173,000)	(163,422)	9,578
OTHER FINANCING SOURCES				
Transfers in	<u>173,000</u>	<u>173,000</u>	<u>163,423</u>	<u>(9,577)</u>
NET CHANGE IN FUND BALANCE				
	-	-	1	1
FUND BALANCE				
Balance at July 1, 2020	<u>2,622</u>	<u>2,622</u>	<u>2,622</u>	-
Balance at June 30, 2021	<u>\$ 2,622</u>	<u>\$ 2,622</u>	<u>\$ 2,623</u>	<u>\$ 1</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - GENERAL OBLIGATION
REFUNDING BOND FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Other revenues	\$ -	\$ -	\$ 2	\$ 2
EXPENDITURES				
Interest and fees	1,100	1,100	4,943	(3,843)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,100)	(1,100)	(4,941)	(3,841)
OTHER FINANCING SOURCES				
Transfers in	1,100	1,100	-	(1,100)
NET CHANGE IN FUND				
BALANCE	-	-	(4,941)	(4,941)
FUND BALANCE				
Balance at July 1, 2020	-	-	4,941	4,941
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - ACTUAL AND BUDGET - MUNFORD CEMETERY FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for services	\$ 2,000	\$ 12,000	\$ 6,423	\$ (5,577)
Other revenues	<u>4,000</u>	<u>4,000</u>	<u>5,017</u>	<u>1,017</u>
TOTAL REVENUES	<u>6,000</u>	<u>16,000</u>	<u>11,440</u>	<u>(4,560)</u>
EXPENDITURES				
Health, welfare, recreation, and education				
Cemetery maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES ..	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,000	13,000	11,440	(1,560)
OTHER FINANCING (USES)				
Transfers out	<u>(3,000)</u>	<u>(13,000)</u>	<u>(2,217)</u>	<u>10,783</u>
NET CHANGE IN FUND				
BALANCE	-	-	9,223	9,223
FUND BALANCE				
Balance at July 1, 2020	<u>312,160</u>	<u>312,160</u>	<u>312,160</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 312,160</u>	<u>\$ 312,160</u>	<u>\$ 321,383</u>	<u>\$ 9,223</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	RECEIVABLE/ (UNEARNED) BALANCE AT JULY 1, 2020	RECEIPTS	DISBURSE- MENTS	RECEIVABLE (UNEARNED) BALANCE AT JUNE 30, 2021
<u>CASH FEDERAL AWARDS</u>						
Department of Agriculture						
Community Facilities Loans and Grants	10.766	N/A	30,000	(30,000)	-	-
Community Facilities Loans and Grants	10.766	N/A	(2,579)	-	-	(2,579)
Total Department of Agriculture			<u>27,421</u>	<u>(30,000)</u>	<u>-</u>	<u>(2,579)</u>
Department of Justice						
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	(35,126)	35,126	-
Department of Housing and Urban Development						
Passed through State of Tennessee Department of Economic and Community Development						
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	N/A	(249,849)	(3,868)	671	(253,046)
Department of Transportation						
Passed through State of Tennessee Department of Transportation						
Highway Planning and Construction Cluster	20.205	84LPLM-F1-048	-	(120)	120	-
Highway Planning and Construction Cluster	20.205	84LPLM-F3-051	-	-	67,422	67,422
Highway Planning and Construction Cluster	20.205	846PLM-F3-558	-	-	12,139	12,139
			-	(120)	79,681	79,561
Airport Improvement Program	20.106	84-555-0142-21	-	(39,300)	39,300	-
Airport Improvement Program	20.106	84-555-0143-21	-	-	5,023	5,023
Airport Improvement Program	20.106	84-555-0139-20	-	(18,394)	18,394	-
Airport Improvement Program (COVID-19)	20.106	84-555-0141-21	30,000	(30,000)	-	-
			<u>30,000</u>	<u>(87,694)</u>	<u>62,717</u>	<u>5,023</u>
Total Department of Transportation			<u>30,000</u>	<u>(87,814)</u>	<u>142,398</u>	<u>84,584</u>
Department of Homeland Security						
Passed through State of Tennessee Department of Safety and Homeland Security						
High Visibility Enforcement of Tennessee Traffic Safety Laws	20.607	Z20THS062	-	(4,072)	4,072	-
Enforcement of Tennessee Driving Under the Influence Laws	20.607	Z21THS073	-	-	1,488	1,488
Total Department of Homeland Security			-	(4,072)	5,560	1,488
Department of Treasury						
Passed through State of Tennessee Department of Finance and Administration						
Coronavirus Relief Fund	21.019	N/A	131,700	(131,700)	-	-
Institute of Museum and Library Services						
Passed through State of Tennessee Department of State Library and Archives						
State Library Program	45.310	30501-03420-22	-	-	2,556	2,556
Federal Emergency Management Agency						
Public Assistance Grants	97.036	34101-18421	-	(6,942)	6,942	-
Assistance to Firefighters Grant	97.044	EMW-2019-FG-04785	-	(120,888)	120,888	-
Assistance to Firefighters Grant	97.044	EMW-2020-FG-03036	-	(2,311)	2,311	-
Total Federal Emergency Management Agency			-	(130,141)	130,141	-
TOTAL CASH FEDERAL AWARDS			<u>\$ (60,728)</u>	<u>\$ (422,721)</u>	<u>\$ 316,452</u>	<u>\$ (166,997)</u>

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2021

Note: Significant Accounting Policies

All of the federal awards are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned. Expenditures are recognized when the related liability is incurred or economic asset is used.

**CITY OF COVINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2021**

<u>PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>RECEIVABLE (UNEARNED)/ BALANCE AT JULY 1, 2020</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNEARNED)/ BALANCE AT JUNE 30, 2021</u>
<u>CASH STATE AWARDS</u>					
Department of Economic & Community Development					
Water improvements	33007-30029	\$ -	\$ (350,147)	\$ 403,594	\$ 53,447
Department of Transportation					
Maintenance Grant (FY 21)	84-555-0740-21	-	(15,000)	15,000	-
Department of Health	34347-72220	32,319	(57,029)	50,691	25,981
Department of Finance and Administration					
Governor's Local Government Support Grant	N/A	<u>-</u>	<u>(223,762)</u>	<u>183,905</u>	<u>(39,857)</u>
TOTAL CASH STATE AWARDS		<u>\$ 32,319</u>	<u>\$ (645,938)</u>	<u>\$ 653,190</u>	<u>\$ 39,571</u>

Note: Significant Accounting Policies

All of the state awards are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned. Expenditures are recognized when the related liability is incurred or economic asset is used.

CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR
JUNE 30, 2021

ENDING	WATER REVENUE AND TAX BOND SERIES 2008		SEWER REVENUE AND TAX BONDS - SERIES 2008		BIO MASS GASIFICATION BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2022	\$ 20,418	\$ 36,066	\$ 27,737	\$ 45,883	\$ 81,000	\$ 16,611
2023	21,277	35,207	28,796	44,824	84,000	15,817
2024	22,171	34,313	29,896	43,724	87,000	14,994
2025	23,103	33,381	31,038	42,582	90,000	14,141
2026	24,074	32,410	32,224	41,396	93,000	13,259
2027	25,087	31,397	33,455	40,165	96,000	12,348
2028	26,141	30,343	34,733	38,887	99,000	11,407
2029	27,240	29,244	36,059	37,561	103,000	10,437
2030	28,385	28,099	37,437	36,183	106,000	9,428
2031	29,579	26,905	38,867	34,753	110,000	8,389
2032	30,822	25,662	40,351	33,269	114,000	7,311
2033	32,118	24,366	41,893	31,727	118,000	6,194
2034	33,468	23,016	43,493	30,217	122,000	5,037
2035	34,875	21,609	45,154	28,466	126,000	3,842
2036	36,341	20,143	46,879	26,741	131,000	2,607
2037	37,869	18,615	48,670	24,950	135,000	1,323
2038	39,461	17,023	50,529	23,091	-	-
2039	41,119	15,365	52,459	21,161	-	-
2040	42,848	13,636	54,463	19,157	-	-
2041	44,649	11,835	56,543	17,077	-	-
2042	46,526	9,958	58,703	14,917	-	-
2043	48,482	8,002	60,946	12,674	-	-
2044	50,520	5,964	63,274	10,346	-	-
2045	52,644	3,840	65,690	7,930	-	-
2046	54,857	1,627	68,200	5,420	-	-
2047	9,534	49	70,805	2,815	-	-
2048	-	-	36,412	400	-	-
	<u>\$ 883,608</u>	<u>\$ 538,075</u>	<u>\$ 1,234,706</u>	<u>\$ 716,316</u>	<u>\$ 1,695,000</u>	<u>\$ 153,145</u>

CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR - CONTINUED
JUNE 30, 2021

ENDING	COVINGTON ELECTRIC SYSTEM REVENUE BONDS - SERIES 2003		NOTE PAYABLE LAWSUIT SETTLEMENT		GENERAL OBLIGATION REFUNDING BONDS - SERIES 2014	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
	2022	\$ 140,000	\$ 16,188	\$ 133,333	\$ 16,000	\$ 165,000
2023	145,000	9,954	133,333	13,333	170,000	78,325
2024	155,000	3,391	133,333	10,667	175,000	74,075
2025	-	-	133,333	8,000	170,000	68,825
2026	-	-	133,333	5,333	165,000	63,725
2027	-	-	133,335	2,667	170,000	58,363
2028	-	-	-	-	175,000	52,838
2029	-	-	-	-	180,000	46,713
2030	-	-	-	-	170,000	40,413
2031	-	-	-	-	175,000	34,463
2032	-	-	-	-	185,000	28,556
2033	-	-	-	-	190,000	22,313
2034	-	-	-	-	200,000	15,188
2035	-	-	-	-	204,724	7,688
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
	<u>\$ 440,000</u>	<u>\$ 29,533</u>	<u>\$ 800,000</u>	<u>\$ 56,000</u>	<u>\$ 2,494,724</u>	<u>\$ 673,935</u>

**CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR - CONTINUED
JUNE 30, 2021**

<u>ENDING</u>	<u>CAPITAL LEASE OBLIGATION - SWEEPER</u>		<u>CAPITAL LEASE OBLIGATION - TRUCK</u>		<u>CAPITAL LEASE OBLIGATION - TRUCK</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2022	\$ 37,686	\$ 1,074	\$ 5,971	\$ 354	\$ 7,339	\$ 436
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
	<u>\$ 37,686</u>	<u>\$ 1,074</u>	<u>\$ 5,971</u>	<u>\$ 354</u>	<u>\$ 7,339</u>	<u>\$ 436</u>

CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR - CONTINUED
JUNE 30, 2021

<u>ENDING</u>	<u>CAPITAL LEASE OBLIGATION - SUV</u>		<u>CAPITAL LEASE OBLIGATION - FIELD MACHINE</u>		<u>CAPITAL LEASE OBLIGATION - AUTOMATED METERS</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2022	\$ 11,982	\$ 863	\$ 4,518	\$ 280	\$ 547,179	\$ 60,465
2023	-	-	3,140	59	561,708	45,937
2024	-	-	-	-	576,621	31,023
2025	-	-	-	-	591,930	15,716
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
	<u>\$ 11,982</u>	<u>\$ 863</u>	<u>\$ 7,658</u>	<u>\$ 339</u>	<u>\$ 2,277,438</u>	<u>\$ 153,141</u>

**CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR - CONTINUED
JUNE 30, 2021**

<u>ENDING</u>	<u>GENERAL OBLIGATION REFUNDING BONDS - SERIES 2020</u>		<u>GENERAL OBLIGATION NOTE - POLICE TASERS</u>		<u>GENERAL OBLIGATION NOTE - POLICE CAMERAS</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2022	\$ 161,600	\$ 6,806	\$ 15,300	\$ -	\$ 14,622	\$ -
2023	170,400	3,493	7,650	-	14,623	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
	<u>\$ 332,000</u>	<u>\$ 10,299</u>	<u>\$ 22,950</u>	<u>\$ -</u>	<u>\$ 29,245</u>	<u>\$ -</u>

**CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR - CONTINUED
JUNE 30, 2021**

<u>ENDING</u>	<u>CAPITAL LEASE OBLIGATION - POLICE VEHICLES</u>		<u>CAPITAL LEASE OBLIGATION - TRUCK</u>		<u>CAPITAL LEASE OBLIGATION - TRUCK</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2022	\$ 15,762	\$ 2,183	\$ 6,200	\$ 1,225	\$ 8,950	\$ 1,705
2023	16,818	1,126	6,486	939	9,349	1,306
2024	-	-	6,785	640	9,765	890
2025	-	-	7,099	327	10,201	455
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
	<u>\$ 32,580</u>	<u>\$ 3,309</u>	<u>\$ 26,570</u>	<u>\$ 3,131</u>	<u>\$ 38,265</u>	<u>\$ 4,356</u>

**CITY OF COVINGTON, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST
REQUIREMENTS BY YEAR - CONTINUED
JUNE 30, 2021**

<u>ENDING</u>	<u>GENERAL OBLIGATION INTERFUND LOAN CAPITAL OUTLAY NOTE SERIES 2014</u>		<u>GRAND TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2022	\$ 30,243	\$ 1,210	\$ 1,724,639
2023	30,244	608	1,653,752
2024	-	-	1,409,288
2025	-	-	1,240,131
2026	-	-	603,754
2027	-	-	602,817
2028	-	-	468,349
2029	-	-	470,254
2030	-	-	455,945
2031	-	-	457,956
2032	-	-	464,971
2033	-	-	466,611
2034	-	-	472,419
2035	-	-	472,358
2036	-	-	263,711
2037	-	-	266,427
2038	-	-	130,104
2039	-	-	130,104
2040	-	-	130,104
2041	-	-	130,104
2042	-	-	130,104
2043	-	-	130,104
2044	-	-	130,104
2045	-	-	130,104
2046	-	-	130,104
2047	-	-	83,203
2048	-	-	36,812
	<u>\$ 60,487</u>	<u>\$ 1,818</u>	<u>\$ 12,784,333</u>
		Less interfund capital outlay notes	<u>(62,305)</u>
		Outside long- term debt	<u>\$ 12,722,028</u>

CITY OF COVINGTON, TENNESSEE
CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
YEAR ENDED JUNE 30, 2021

DESCRIPTION OF DEBT	AMOUNT ISSUED	INTEREST RATE	ISSUE DATE	MATURITY DATE	BALANCE AT JULY 1, 2020	ISSUED	PAID	REFUNDED	BALANCE AT JUNE 30, 2021
GOVERNMENTAL ACTIVITIES									
General Obligation Refunding Bonds (1)	\$ 215,000	2.50-3.50%	3/28/14	6/1/29	\$ 134,779	\$ -	\$ (15,055)	\$ -	\$ 119,724
General Obligation Refunding Bonds	485,200	2.05%	5/21/20	6/1/23	485,200	-	(153,200)	-	332,000
Note Payable - Lawsuit Settlement	1,200,000	2.00%	5/1/17	8/1/26	933,333	-	(133,333)	-	800,000
Note Payable - Police Tasers	30,800	0.00%	5/15/20	5/15/23	22,950	-	-	-	22,950
Note Payable - Police Cameras	61,084	0.00%	3/20/20	3/20/23	35,298	11,426	(17,479)	-	29,245
Capital Lease Obligation - Sweeper	217,030	2.85%	12/16/19	12/1/21	74,327	-	(36,641)	-	37,686
Capital Lease Obligation - Truck	23,254	6.00%	5/4/18	6/1/22	11,608	-	(5,637)	-	5,971
Capital Lease Obligation - Truck	28,579	6.00%	5/4/18	6/1/22	14,266	-	(6,927)	-	7,339
Capital Lease Obligation - SUV	46,430	7.20%	12/21/18	1/4/22	23,159	-	(11,177)	-	11,982
Capital Lease Obligation - Field Machine	17,320	5.00%	1/28/19	2/15/23	11,956	-	(4,298)	-	7,658
Capital Lease Obligation - Police Vehicles	65,296	6.70%	2/28/20	3/11/23	47,351	-	(14,771)	-	32,580
Capital Lease Obligation - Truck	33,995	4.61%	9/25/20	10/2/24	-	33,995	(7,425)	-	26,570
Capital Lease Obligation - Truck	48,920	4.46%	12/18/20	12/24/24	-	48,920	(10,655)	-	38,265
Capital Lease Obligation - Police Vehicles	67,751	5.99%	10/2/20	10/2/23	-	67,751	(67,751)	-	-
Capital Lease Obligation - Police Vehicle	29,276	5.99%	10/23/20	10/23/23	-	29,276	(29,276)	-	-
					1,794,227	191,368	(513,625)	-	1,471,970
BUSINESS-TYPE ACTIVITIES									
General Obligation Refunding Bonds (1)	3,180,000	2.50-3.75%	3/28/14	6/1/35	2,520,000	-	(145,000)	-	2,375,000
Bio Mass Gasification Bonds	2,250,000	0.98%	8/9/12	6/1/37	1,773,000	-	(78,000)	-	1,695,000
Electric System Revenue Bonds	2,280,000	2.50-4.375%	11/22/13	10/1/23	575,000	-	(135,000)	-	440,000
Water Revenue and Tax Bond	1,082,000	4.125%	9/10/08	8/10/46	903,202	-	(19,594)	-	883,608
Sewer Revenue and Tax Bond	1,489,000	3.755%	12/9/09	12/9/47	1,261,422	-	(26,716)	-	1,234,706
Capital Lease Obligation - Automated Meters	2,814,855	2.650%	10/24/19	10/1/24	2,814,855	-	(537,417)	-	2,277,438
					9,847,479	-	(941,727)	-	8,905,752
TOTALS					\$ 11,641,706	\$ 191,368	\$(1,455,352)	\$ -	\$ 10,377,722

NOTE TO SCHEDULE

(1) Total bond proceeds of \$3,395,000 was split between Governmental Activities and Business-Type Activities.

**CITY OF COVINGTON, TENNESSEE
WATER FUND - OPERATING EXPENSES
YEAR ENDED JUNE 30, 2021**

PURIFICATION

Personal services	\$ 114,223
Contractual services	280,915
Supplies	<u>20,996</u>
	<u>416,134</u>

TRANSMISSION AND DISTRIBUTION

Personal services	245,872
Contractual services	383,813
Supplies	<u>13,453</u>
	<u>643,138</u>

GENERAL AND ADMINISTRATIVE

Personal services	185,844
Contractual services	20,833
Supplies	6,813
Fixed charges	71,482
Joint costs to General Fund	<u>120,000</u>
	<u>404,972</u>

DEPRECIATION 307,674

TOTAL OPERATING EXPENSES \$ 1,771,918

**CITY OF COVINGTON, TENNESSEE
SEWER FUND - OPERATING EXPENSES
YEAR ENDED JUNE 30, 2021**

COLLECTION

Personal services	\$ 169,309
Contractual services	277,759
Supplies	<u>11,858</u>
	<u>458,926</u>

TREATMENT AND DISPOSAL

Personal services	250,984
Contractual services	421,430
Supplies	<u>118,069</u>
	<u>790,483</u>

GENERAL AND ADMINISTRATIVE

Personal services	118,203
Contractual services	8,547
Supplies	2,613
Fixed charges	64,155
Joint costs to General Fund	<u>120,000</u>
	<u>313,518</u>

DEPRECIATION 678,705

TOTAL OPERATING EXPENSES \$ 2,241,632

**CITY OF COVINGTON, TENNESSEE
GAS UTILITY FUND - OPERATING EXPENSES
YEAR ENDED JUNE 30, 2021**

PURCHASED GAS	<u>\$ 1,535,915</u>
TRANSMISSION AND DISTRIBUTION	
Personal services	267,176
Contractual services	123,507
Supplies	<u>37,276</u>
	<u>427,959</u>
GENERAL AND ADMINISTRATIVE	
Personal services	177,923
Contractual services	31,094
Supplies	11,800
Fixed charges - insurance	13,449
Joint costs to General Fund	<u>120,000</u>
	<u>354,266</u>
DEPRECIATION	<u>144,660</u>
TOTAL OPERATING EXPENSES	<u>\$ 2,462,800</u>

**CITY OF COVINGTON, TENNESSEE
BIO MASS GASIFICATION FUND - OPERATING EXPENSES
YEAR ENDED JUNE 30, 2021**

OPERATIONS	
Fixed charges	\$ 25,472
DEPRECIATION	<u>7,837</u>
TOTAL OPERATING EXPENSES	<u>\$ 33,309</u>

**CITY OF COVINGTON, TENNESSEE
 COVINGTON ELECTRIC SYSTEM ELECTRIC FUND - OPERATING EXPENSES
 YEAR ENDED JUNE 30, 2021**

COST OF POWER	<u>\$ 15,700,874</u>
OPERATIONS EXPENSE	
Distribution expense	615,967
Customer accounts expense	371,274
Customer service and information expense	12,600
General and administrative	<u>789,108</u>
	<u>1,788,949</u>
MAINTENANCE EXPENSE	
Distribution	938,748
General and administrative	<u>93,893</u>
	<u>1,032,641</u>
DEPRECIATION AND AMORTIZATION	<u>788,540</u>
TAXES	<u>91,139</u>
TOTAL OPERATING EXPENSES	<u>\$ 19,402,143</u>

**CITY OF COVINGTON, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2021**

Property tax rates for the ten most recent years follow:

<u>YEAR OF LEVY</u>	<u>RATE PER \$100 OF ASSESSED VALUE</u>	<u>TOTAL ASSESSED VALUES</u>
2021	\$1.2413	\$223,692,680
2020	1.2413	211,611,698
2019	1.3300	184,901,118
2018	1.3300	182,774,459
2017	1.3300	179,604,989
2016	1.3300	179,377,484
2015	1.3300	182,430,601
2014	1.3300	179,477,976
2013	1.2900	176,358,813
2012	1.1900	178,950,710

Following is a schedule of changes in property taxes receivable:

<u>YEAR OF LEVY</u>	<u>BALANCE JULY 1, 2020</u>	<u>ASSESSMENT</u>	<u>ADJUSTMENTS/ ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2021</u>
2021	\$ -	\$ 2,776,738	\$ -	\$ -	\$ 2,776,738
2020	2,628,732	-	21,991	(2,525,435)	125,288
2019	428,818	-	(3,953)	(351,198)	73,667
2018	88,975	-	(1,993)	(60,747)	26,235
2017	27,062	-	16	(5,866)	21,212
2016	12,635	-	-	(735)	11,900
2015	7,414	-	-	(131)	7,283
2014	5,534	-	-	(323)	5,211
2013	6,879	-	-	(348)	6,531
2012	3,276	-	-	(321)	2,955
2011	<u>62,298</u>	<u>-</u>	<u>(61,969)</u>	<u>(329)</u>	<u>-</u>
Totals	3,271,623	<u>\$ 2,776,738</u>	<u>\$ (45,908)</u>	<u>\$ (2,945,433)</u>	3,057,020
Allowance for uncollectible property taxes	<u>(125,026)</u>				<u>(50,860)</u>
Net receivables	<u>\$3,146,597</u>				<u>\$ 3,006,160</u>

Uncollected taxes for years prior to 2012 have been charged off for financial reporting purposes. Such amounts are not significant. Uncollected taxes for tax years prior to 2019 have been turned over to Chancery Court for collection.

**CITY OF COVINGTON, TENNESSEE
WATER FUND - WATER RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2021**

<u>MINIMUM CHARGE - BY METER SIZE</u>	<u>INSIDE CITY LIMITS</u>	<u>OUTSIDE CITY LIMITS</u>
5/8"	\$ 9.34	\$ 14.07
3/4"	12.83	23.88
1"	26.30	35.74
1½"	50.08	71.49
2"	81.05	119.08
3"	133.35	190.51
4"	166.69	238.09
6"	238.09	357.15
8"	476.15	714.24

INSIDE CITY LIMITS

<u>NUMBER OF GALLONS USED</u>	<u>RATE PER 1,000 GALLONS USED</u>
First 2,000	\$ 4.69
Next 8,000	3.19
Next 40,000	3.01
Next 50,000	2.50
Over 100,000	2.39

OUTSIDE CITY LIMITS

<u>NUMBER OF GALLONS USED</u>	<u>RATE PER 1,000 GALLONS USED</u>
First 3,000	\$ 4.69
Next 7,000	4.06
Next 10,000	3.73
Over 20,000	2.66

AUTOMATIC ADJUSTMENT OF RATES TO REFLECT COST OF LIVING

The minimum charge and the cost per 1,000 gallons as set out in the schedule of rates shall be adjusted on an annual basis in an amount equal to the percentage change in the Consumer Price Index for Urban Areas (CPIBU, US City Average, All Items) for the prior calendar year as determined by the U.S. Department of Labor. Said annual adjustment shall be effective with the July billing cycle each year. The Board of Mayor and Aldermen may reject the automatic adjustment by passage of a resolution.

NUMBER OF CUSTOMERS

There were approximately 4,100 water customers at June 30, 2021.

CITY OF COVINGTON, TENNESSEE
SEWER FUND - SEWER RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2021

	<u>NON-PRESSURIZED</u>		<u>PRESSURIZED</u>	
	<u>INSIDE CITY LIMITS</u>	<u>OUTSIDE CITY LIMITS</u>	<u>INSIDE CITY LIMITS</u>	<u>OUTSIDE CITY LIMITS</u>
Minimum Charge - By Meter Size				
5/8" - 3/4"	\$ 7.80	\$ 11.24	\$ 8.81	\$ 12.68
1"	9.26	13.67	10.45	15.41
1½"	18.06	27.34	20.37	30.82
2"	23.92	36.11	26.96	40.71
3"	39.02	58.53	44.00	65.98
4"	80.98	121.96	91.31	137.51
6"	108.23	162.94	122.01	183.71
8"	153.20	230.25	172.72	259.61
Unit Charge				
Per 1,000 gallons of metered water	\$ 4.51	\$ 6.05	\$ 5.09	\$ 6.83

AUTOMATIC ADJUSTMENT OF RATES TO REFLECT COST OF LIVING

The minimum charge and the cost per 1,000 gallons as set out in the schedule of rates shall be adjusted on an annual basis in an amount equal to the percentage change in the Consumer Price Index for Urban Areas (CPIBU, US City Average, All Items) for the prior calendar year as determined by the U.S. Department of Labor. Said annual adjustment shall be effective with the July billing cycle each year. The Board of Mayor and Aldermen may reject the automatic adjustment by passage of a resolution.

NUMBER OF CUSTOMERS

There were approximately 3,300 sewer customers at June 30, 2021.

**CITY OF COVINGTON, TENNESSEE
GAS UTILITY FUND - GAS RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2021**

	<u>PER 1,000 CUBIC FEET</u>
<u>RESIDENTIAL CUSTOMERS</u>	
Inside City Limits	\$5.31
Outside City Limits	5.38
<u>COMMERCIAL CUSTOMERS</u>	
Inside City Limits	\$4.34
Outside City Limits	4.37
<u>INDUSTRIAL CUSTOMERS</u>	
Firm - Schedule 24	\$4.7070
Interruptible - Schedule 93	3.5300
Interruptible - Schedule 93 (Unilever)	3.5300
Firm - Transportation	4.1710

NUMBER OF CUSTOMERS

There were approximately 3,200 gas customers at June 30, 2021.

**CITY OF COVINGTON, TENNESSEE
COVINGTON ELECTRIC SYSTEM ELECTRIC FUND -
ELECTRIC RATES
JUNE 30, 2021**

RESIDENTIAL RATE SCHEDULE

Customer charge - per delivery point per month	\$ 26.40
Energy charge - cents per kWh	0.07917

GENERAL POWER SCHEDULE

GSA1 Low Usage (Under 50 kW demand and less than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 38.00
Energy charge - cents per kWh	0.09722
GSA1 High Usage (Under 50 kW demand and less than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 50.00
Energy charge - cents per kWh	0.09722
GSA2 (51-1,000 kW demand or more than 15,000 kWh)	
Customer charge - per delivery point per month	\$ 185.00
Demand charges - per kW per month	
First 50 kW	\$ 5.50
Excess over 50 kW	\$ 14.23
Energy charge - cents per kWh	
First 15,000 kWh per month	0.08651
Additional kWh per month	0.05826
GSA3 (1,000 - 5,000 kW demand)	
Customer charge - per delivery point per month	\$ 550.00
Demand charges - per kW per month	
First 1,000 kW	13.46
Excess over 1,000 kW	13.46
Excess over 2,500 kW	13.46
Energy charge - cents per kWh	0.06539
SMSB (Seasonal Demand and Energy - Manufacturing Service)	
Customer charge - per delivery point per month	\$1,500.00
Administrative charge	350.00
OnPeak kW	10.24
Max kW	2.15
OffPeak Excess of Contract kW	10.24
OnPeak kWh07403
OffPeak kWh - First 200 HUD04903
OffPeak kWh - Next 200 HUD01934
OffPeak kWh - Additional HUD01679
Outdoor Lighting LS	\$ 0.06545

CITY OF COVINGTON, TENNESSEE
SCHEDULE OF TRANSFERS
JUNE 30, 2021

	<u>TRANSFERS FROM OTHER FUNDS</u>	<u>TRANSFERS TO OTHER FUNDS</u>
MAJOR FUNDS		
General Fund		
Airport Fund	\$ -	\$ 50,000
Tipton County Museum Fund	-	71,000
PBACCT Bond Fund	-	163,423
Water Fund	35,000 (1)	-
Sewer Fund	78,610 (1)	-
Gas Utility Fund	58,024 (1)	-
Bios Mass Gasification Fund	-	128,100
Covington Electric System Electric Fund	363,636 (1)	-
Munford Cemetery Fund	<u>2,217</u>	<u>-</u>
	<u>537,487</u>	<u>412,523</u>
Water Fund		
General Fund	<u>-</u>	<u>35,000</u> (1)
Sewer Fund		
General Fund	<u>-</u>	<u>78,610</u> (1)
Gas Utility Fund		
General Fund	<u>-</u>	<u>58,024</u> (1)
Bio Mass Gasification Fund		
General Fund	<u>128,100</u>	<u>-</u>
Covington Electric System Electric Fund		
General Fund	<u>-</u>	<u>363,636</u> (1)
NONMAJOR GOVERNMENTAL FUNDS		
Airport Fund		
General Fund	50,000	-
Tipton County Museum Fund		
General Fund	71,000	-
PBACCT Bond Fund		
General Fund	163,423	-
Munford Cemetery Fund		
General Fund	<u>-</u>	<u>2,217</u>
	<u>284,423</u>	<u>2,217</u>
TOTALS	<u>\$ 950,010</u>	<u>\$ 950,010</u>

(1) These represent payments in lieu of taxes that are not payment for, and are not reasonable equivalent in value to, services provided.

Interfund transfers other than (1) above were used to finance various programs accounted for in other funds and/or to move funds to the debt service fund as debt service payments became due.

NONACCOUNTING INFORMATION

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

Water Audit Report for: **City of Covington (TN0000144)**
 Reporting Year: **2020** / **7/2020 - 6/2021**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the

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

WATER SUPPLIED

← Enter grading in column 'E' and 'J' →

Volume from own sources:	<input type="button" value="9"/>	<input type="text" value="834.147"/>	MG/Yr
Water imported:	<input type="button" value=""/>	<input type="text" value=""/>	MG/Yr
Water exported:	<input type="button" value=""/>	<input type="text" value=""/>	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	<input type="button" value="7"/>	<input type="text" value="-1.00%"/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr
	<input type="button" value=""/>	<input type="text" value=""/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr
	<input type="button" value=""/>	<input type="text" value=""/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr

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

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="9"/>	<input type="text" value="587.153"/>	MG/Yr
Billed unmetered:	<input type="button" value=""/>	<input type="text" value=""/>	MG/Yr
Unbilled metered:	<input type="button" value="9"/>	<input type="text" value="114.559"/>	MG/Yr
Unbilled unmetered:	<input type="button" value="7"/>	<input type="text" value="18.222"/>	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt:	<input type="radio"/>	<input type="radio"/>	<input type="text" value="18.222"/>	MG/Yr
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Use buttons to select percentage of water supplied OR value

Pcnt:	<input type="radio" value="0.25%"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr
-------	-------------------------------------	-----------------------	-------------------------------	-------

<input type="radio" value="2.00%"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr
<input type="radio" value="0.25%"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: | MG/Yr |

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

Customer metering inaccuracies:	<input type="button" value="7"/>	<input type="text" value="14.321"/>	MG/Yr
Systematic data handling errors:	<input type="button" value=""/>	<input type="text" value="1.468"/>	MG/Yr

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

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="7"/>	<input type="text" value="97.0"/>	miles
Number of active AND inactive service connections:	<input type="button" value="7"/>	<input type="text" value="5,181"/>	
Service connection density:	<input type="button" value=""/>	<input type="text" value="53"/>	conn./mile main

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

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

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

Average operating pressure: | psi |

COST DATA

Total annual cost of operating water system:	<input type="button" value="9"/>	<input type="text" value="\$1,786,378"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="7"/>	<input type="text" value="\$8.60"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="10"/>	<input type="text" value="\$476.30"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 83 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
American Water Works Association

Water Audit Report for:
 Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

	Apparent Losses:	<input type="text" value="17.895"/>	MG/Yr
+	Real Losses:	<input type="text" value="104.744"/>	MG/Yr
=	Water Losses:	<input type="text" value="122.639"/>	MG/Yr

Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: 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:	<input type="text" value="30.3%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="14.9%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="9.46"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="55.39"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="1.05"/>	gallons/connection/day/psi

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

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

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

**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**

The Honorable Justin Hanson, Mayor
Members of the Board of Aldermen
City of Covington, Tennessee
Covington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Covington, Tennessee's basic financial statements and have issued our report thereon dated February 9, 2022. Our report includes a reference to other auditors who audited the financial statements of Covington Electric System Electric Fund, Covington Electric System Defined Benefit Plan, and Covington Electric System 457 Plan, as described in our report on the City of Covington, Tennessee's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 responses as Items Nos. 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Covington, Tennessee'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item No. 2021-003.

City of Covington, Tennessee's Responses to Findings

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

Purpose of this Report

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

Whitehorn Jankecurley & Davis, PLLC

Covington, Tennessee
February 9, 2022

**CITY OF COVINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Material Weaknesses

Item No. 2021-001: Preparation of Financial Statements

Condition: The City does not have sufficient internal controls over the drafting of the annual audited financial statements done by the auditor.

Criteria: The City is responsible for internal controls over the preparation of its annual audited financial statements.

Cause: There is either lack of time available by current financial personnel and/or a lack of the necessary skills and knowledge by current financial personnel.

Effect: There is a lack of internal control over the preparation of its annual audited financial statements.

Recommendation: Consideration should be given to retaining a qualified individual to assist in the review of the draft of the annual audited financial statements.

Management response: We concur with this finding.

Item No. 2021-002: Material Audit Adjustments

Condition: The following material audit adjustments were proposed:

General Fund

(1) The delinquent property tax accounts were overstated. An adjustment was made to decrease assets by approximately \$287,000, decrease liabilities by approximately \$184,000, and decrease revenue by approximately \$103,000.

Water Fund

(1) The annual payment on the capital lease liability for the automated meters was charged to a capital asset account instead of the capital lease liability account. Therefore, an adjustment was made to decrease assets by approximately \$203,000, decrease liabilities by approximately \$179,000, and increase expenses by approximately \$24,000.

(2) Depreciation expense was understated. An adjustment was made to decrease assets and increase expenses by approximately \$80,000.

(3) The pension actuarial valuation report is not received until several months after the fiscal year end. Therefore, adjustment of the year end pension related accounts must be made as audit adjustments. An adjustment was made to increase net position and decrease pension expense by approximately \$122,000.

**CITY OF COVINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
YEAR ENDED JUNE 30, 2021**

Material Weaknesses - Continued

Item No. 2021-002: Material Audit Adjustments - Continued

Sewer Fund

- (1) The pension actuarial valuation report is not received until several months after the fiscal year end. Therefore, adjustment of the year end pension related accounts must be made as audit adjustments. An adjustment was made to increase net position and decrease pension expense by approximately \$109,000.
- (2) The annual payment on the capital lease liability for the automated meters was charged to a capital asset account instead of the capital lease liability account. Therefore, an adjustment was made to decrease assets by approximately \$203,000, decrease liabilities by approximately \$179,000, and increase expenses by approximately \$24,000.
- (3) The cost of repairing the sink hole at the South Fire Station was recorded as a capital asset instead of a repair expense. An adjustment was made to decrease assets and increase expenses by approximately \$119,000.

Gas Utility Fund

- (1) The pension actuarial valuation report is not received until several months after the fiscal year end. Therefore, adjustment of the year end pension related accounts must be made as audit adjustments. An adjustment was made to increase net position and decrease pension expense by approximately \$162,000.
- (2) The annual payment on the capital lease liability for the automated meters was charged to a capital asset account instead of the capital lease liability account. Therefore, an adjustment was made to decrease assets by approximately \$203,000, decrease liabilities by approximately \$179,000, and increase expenses by approximately \$24,000.
- (3) Depreciation expense was understated. An adjustment was made to decrease assets and increase expenses by approximately \$55,000.

Criteria: The City is responsible for internal controls over the adjustment of its general ledger balances and financial statements.

Cause: The pension actuarial report is not received until after year end closing and the books and records had been submitted to the auditor. The remaining adjustments were due to oversight of need for adjustments or reliance on the auditor to make adjustments.

Effect: The account balances of the above funds were materially misstated.

**CITY OF COVINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
YEAR ENDED JUNE 30, 2021**

Material Weaknesses - Continued

Item No. 2021-002: Material Audit Adjustments - Continued

Recommendation: Appropriate care should be taken to ensure that general ledger balances are properly stated prior to commencement of the audit.

Management response: We concur with this finding.

Compliance and Other Matters

Item No. 2021-003: Expenditures in Excess of Budget

Condition: In the General Fund, even though total expenditures were within final budgeted amounts, there were three departmental budget overruns aggregating approximately \$24,000. In the State Street Aid Fund, Solid/Waste Sanitation Fund, and General Obligation Refunding Bond Fund, total expenditures exceeded final budgeted amounts by approximately \$10,000, \$65,000, and \$4,000, respectively.

Criteria: Expenditures should be kept within amounts appropriated in the budget ordinance and any amendments thereto.

Cause: The budget overruns appeared to be oversights or mistakes in the year end budget amendment process.

Effect: Expenditures were in excess of approved amounts.

Recommendation: Expenditures should not be incurred in amounts that exceed the budget. Either the expenditures should be delayed or the budget should be amended for such additional expenditures. Budgets should be amended in amounts to cover actual expenditures for the year both in total and in departmental amounts.

Management response: We concur with this finding.

**CITY OF COVINGTON, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS
YEAR ENDED JUNE 30, 2021**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2020-001	Preparation of Financial Statements (Original finding #2007-001)	Repeated (2021-001)
2020-002	Material Audit Adjustments (Original finding #2007-003)	Repeated (2021-002)
2020-003	Expenditures in Excess of Budget (Original finding #2013-002)	Repeated (2021-003)

JUSTIN HANSON
Mayor



TINA DUNN
Recorder-Treasurer

City of Covington

POST OFFICE BOX 768
200 West Washington Avenue, Covington, Tennessee 38019
Telephone (901) 476-9613 Fax (901) 476-6699

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2021

We reviewed the financial statement findings and recommendations with management to provide an opportunity for their response as required by *Tennessee Code Annotated*, Section 9-3 Part 4. Management's corrective action plans for all findings are presented below.

Material Weaknesses

Item 2021-001: Preparation of Financial Statements

Response and corrective action plan prepared by: Tina Dunn, Recorder-Treasurer

Person responsible for implementing corrective action plan: Same as above

Recommendation: Consideration should be given to retaining a qualified individual to assist in the review of the draft of the annual audited financial statements.

Anticipated completion date of correction action: N/A

Repeat finding: Yes

Reason why corrective action was not taken - prior year: We believe the cost to correct this deficiency would exceed the benefits to be derived. As such, we will continue to rely on the auditor to draft the annual audited financial statements. However, we believe our skill, knowledge, and experience enables us to review the financial statements and understand them fully.

Planned corrective action: None. See above comment.

Item 2021-002: Material Audit Adjustments

Response and corrective action plan prepared by: Tina Dunn, Recorder-Treasurer

Person responsible for implementing corrective action plan: Same as above

Recommendation: Appropriate care should be taken to ensure that general ledger balances are properly stated prior to commencement of the audit.

Anticipated completion date of correction action: June 30, 2022

Repeat finding: Yes

Reason why corrective action was not taken - prior year: Adjustments of pension related account balances were a result of the delay in receiving the pension actuary report after year end closing. The remaining adjustments were due to oversight of need for adjustments or reliance on the auditor to make adjustments.

Planned corrective action: We will take care to ensure all material transactions are recorded properly in the general ledger accounts. However, audit adjustments of pension related accounts may continue to be necessary due to late receipt of the pension actuary report.

Compliance and Other Matters

Item No. 2021-003: Expenditures in Excess of Budget

Response and corrective action plan prepared by: Tina Dunn, Recorder-Treasurer

Person responsible for implementing corrective action plan: Same as above

Recommendation: Expenditures should not be incurred in amounts that exceed the budget. Either the expenditures should be delayed or the budget should be amended for such additional expenditures. Budgets should be amended in amounts to cover actual expenditures for the year both in total and in departmental amounts.

Anticipated completion date of correction action: June 30, 2022

Repeat finding: Yes

Reason why corrective action was not taken - prior year: The budget overruns appeared to be oversights or mistakes in the year end budget amendment process.

Planned corrective action: We will take care to amend budgets in sufficient amounts to avoid overruns.

Sincerely,



**Tina Dunn
Recorder - Treasurer**