

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

CITY OF SPARTA, TENNESSEE

**For the Year Ended
June 30, 2020**

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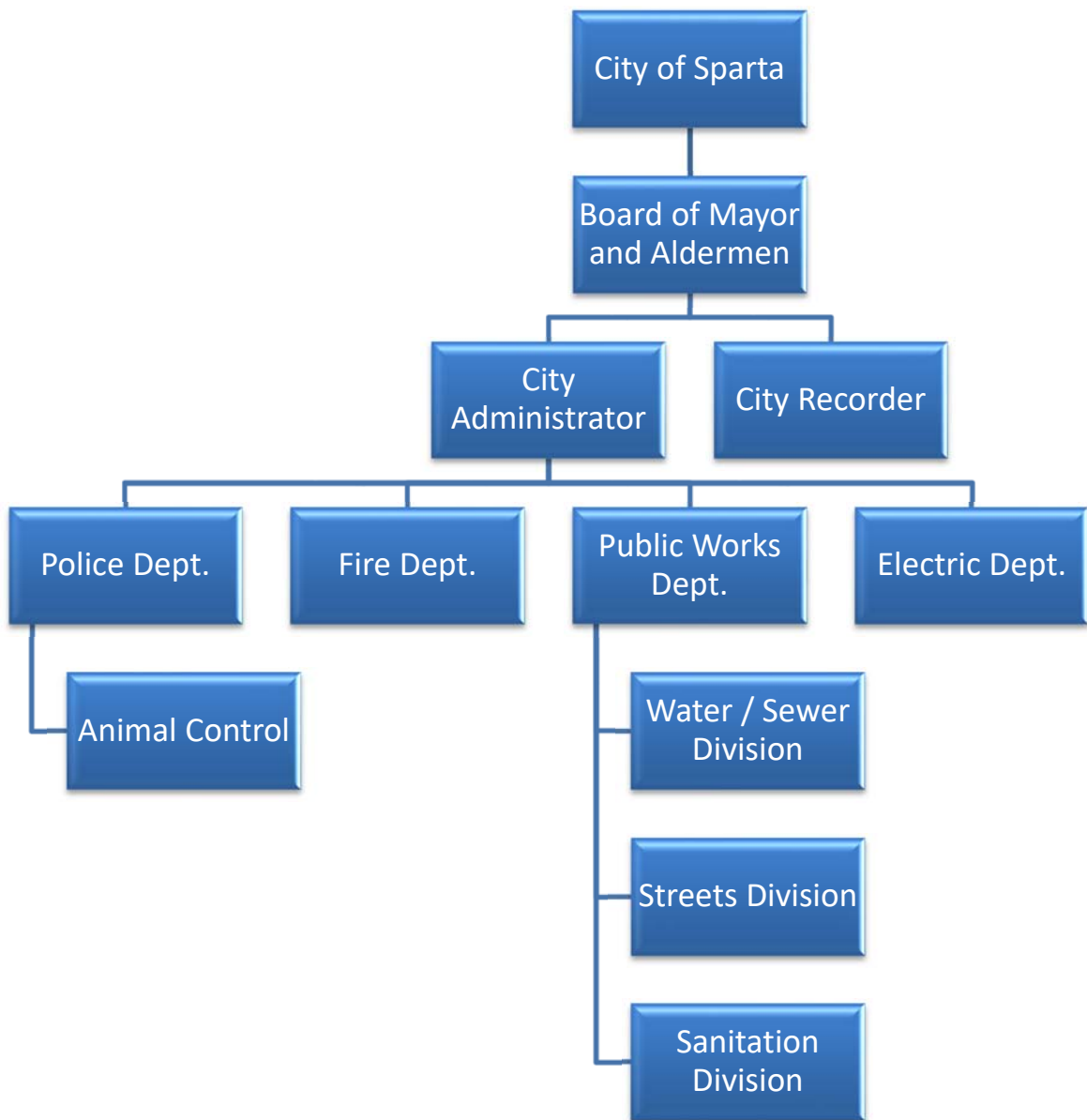
INTRODUCTORY SECTION (UNAUDITED)

CITY OF SPARTA, TENNESSEE
PRINCIPAL OFFICIALS
June 30, 2020

Mayor	Jeff Young
Vice-Mayor	Jim Floyd
Board of Aldermen	Robert Officer Judy Payne Chad Griffin, through September 3, 2020 Jerry Lowery Hoyte Jones Brent Young, effective September 3, 2020
City Administrator	Brad Hennessee
City Recorder and CMFO	Tonya R. Tindle
City Attorney	Lynn Omohundro
Public Works Director	Dillard Quick

CITY OF SPARTA

ORGANIZATION CHART



FINANCIAL SECTION

ALBERT R. DICUS

Certified Public Accountant

Member: AICPA; TSCPA

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INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Aldermen
City of Sparta, Tennessee
Sparta, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General fund and each major fund of the City of Sparta, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability (asset) and related ratios and contributions based on participation in the public employee pension plan of TCRS on pages 11 through 19 and page 64 through 66, respectively, 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information


My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sparta, Tennessee's basic financial statements. The information presented as the "Introductory Section," "Supplementary Information," and "Other Financial Information" in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information described as “Supplementary Information” in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described as “Supplementary Information” is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information described as the “Introductory Section” and the “Other Financial Information” in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report date February 22, 2021, on my consideration of the City of Sparta, Tennessee’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report solely is to describe the scope of my 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 Sparta, 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 the City of Sparta, Tennessee’s internal control over financial reporting and compliance.



Certified Public Accountant

Sparta, Tennessee
February 22, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sparta, Tennessee we offer readers of the City of Sparta, Tennessee's financial statements this narrative overview and analysis of the financial activities of the City of Sparta for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the City of Sparta's financial condition is adequate and improving. The City follows the financial policies and guidelines set by the Board and management. The following are key financial highlights.

The assets and deferred outflows of the City of Sparta exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$47,491,654. Of this amount, \$18,486,685 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.

At June 30, 2020 the City's governmental funds reported combined ending fund balances of \$9,107,794, an increase of \$1,564,018 in comparison with the prior year. \$8,102,250 is available for spending at the government's discretion (unassigned fund balance).

At June 30, 2020 unassigned fund balance for the General Fund was \$8,102,250 or 226.75% of total general fund expenditures.

The City's total debt decreased by a net \$744,392 during the year ended June 30, 2020. Of this amount, general long-term debt decreased by net \$229,932; water and sewer long-term debt decreased by \$514,460.

The City's total net position increased by \$3,260,598 during the year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the city's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The City'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 "Required Supplementary Information" and 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's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the government's net assets 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, drug enforcement, parks and recreation, airport, economic development and sanitation services. The business-type activities of the City include the operations of the electric, water and sewer facilities.

The government-wide financial statements can be found on pages 21-22 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, 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 can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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 in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Eight of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund, as well as nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for its general fund and all nonmajor funds. 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 23-28 of this report, and the budgetary comparison statement for the general fund can be found on pages 33-34.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water and Sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Electric, Water and Sewer activities of the City, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

Notes to the financial statements. The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 35-62 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain "required supplementary information" concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-66 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 Sparta, assets exceeded liabilities by \$47,491,654 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (60%) reflects its investment 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At year end 1.02% of the City's net position represented resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$18,486,685) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2020, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The City's overall financial position improved during fiscal year 2020.

The national economic upturn increased revenues, particularly sales taxes funding basic services. The City's government activities rely heavily on sales tax. Revenue met the budget projections for 2019 and 2020. And operating expenses have increased slightly.

Business-type activities realized continuing benefits from cost of service and rate design "phase-in" programs.

Summary of Net Position

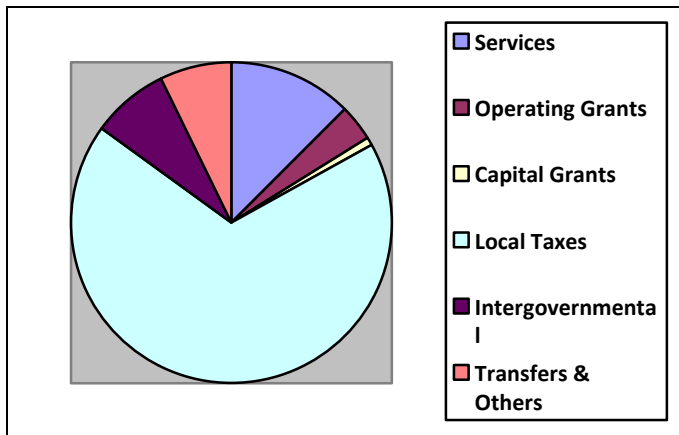
	Governmental		Business-type		Totals		Total
	Activities		Activities				Change
							Increase
							(Decrease)
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
Current and other assets	\$ 10,551,785	\$ 9,089,233	\$ 10,585,587	\$ 9,771,200	\$ 21,137,372	\$ 18,810,434	\$ 2,326,938
Capital assets	<u>8,384,156</u>	<u>8,604,097</u>	<u>26,444,921</u>	<u>26,797,722</u>	<u>34,829,077</u>	<u>35,401,820</u>	<u>(572,743)</u>
Total assets	\$ 18,935,941	\$ 17,643,331	\$ 37,030,508	\$ 36,568,923	\$ 55,966,449	\$ 54,212,253	\$ 1,754,196
Deferred outflows of resources -	\$ 541,208	\$ 543,532	\$ 436,932	\$ 422,764	\$ 978,140	\$ 966,296	\$ 11,845
Long-term liabilities	\$ 773,316	\$ 1,000,464	\$ 5,715,820	\$ 6,255,498	\$ 6,489,136	\$ 7,255,961	\$ (766,825)
Other liabilities	<u>114,926</u>	<u>307,767</u>	<u>1,188,664</u>	<u>1,826,241</u>	<u>1,303,590</u>	<u>2,134,009</u>	<u>(830,419)</u>
Total liabilities	\$ 888,242	\$ 1,308,231	\$ 6,904,484	\$ 8,081,739	\$ 7,792,726	\$ 9,389,970	\$ (1,597,244)
Deferred inflows of resources	\$ 1,471,668	\$ 1,396,196	\$ 188,541	\$ 161,326	\$ 1,660,209	\$ 1,557,523	\$ 102,687
Net position							
Net investment in capital assets	\$ 7,770,639	\$ 7,760,648	\$ 20,750,243	\$ 20,587,169	\$ 28,520,882	\$ 28,347,817	\$ 173,065
Restricted	217,183	192,526	266,903	242,540	484,086	435,066	49,020
Unrestricted	<u>9,129,416</u>	<u>7,529,261</u>	<u>9,357,269</u>	<u>7,918,913</u>	<u>18,486,685</u>	<u>15,448,174</u>	<u>3,038,511</u>
Total net position	<u>\$ 17,117,238</u>	<u>\$ 15,482,435</u>	<u>\$ 30,374,415</u>	<u>\$ 28,748,621</u>	<u>\$ 47,491,653</u>	<u>\$ 44,231,056</u>	<u>\$ 3,260,597</u>

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net assets for the year ended June 30, 2020

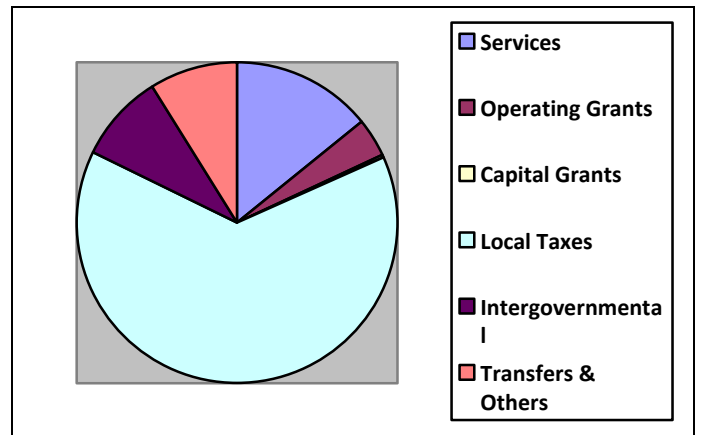
City of Sparta, Tennessee's Changes in Net Position

	Governmental activities		Business-type activities		Totals		Total Change
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
Revenues:							
Program Revenues:							
Charges for Services	\$ 766,196	\$ 776,819	\$ 15,728,925	\$ 16,187,120	\$ 16,495,121	\$ 16,963,939	\$ (468,818)
Operating grants and contributions	226,485	215,443	-	-	226,485	215,443	11,042
General Revenues:							
Local taxes	4,161,898	3,486,538	-	-	4,161,898	3,486,538	675,360
Intergovernmental	485,152	481,858	-	-	485,152	481,858	3,294
Interest on investments	98,934	125,705	100,957	119,884	199,891	245,589	(45,698)
Other	<u>334,848</u>	<u>278,538</u>	<u>4,277</u>	<u>4,862</u>	<u>339,125</u>	<u>283,400</u>	<u>55,725</u>
Total revenues	<u>\$ 6,073,513</u>	<u>\$ 5,364,900</u>	<u>\$ 15,834,159</u>	<u>\$ 16,311,867</u>	<u>\$ 21,907,672</u>	<u>\$ 21,676,766</u>	<u>\$ 230,906</u>
Expenses:							
General government	\$ 883,053	\$ 894,555	\$ -	\$ -	\$ 883,053	\$ 894,555	\$ (11,502)
Public Safety	1,810,754	1,662,369	-	-	1,810,754	1,662,369	148,385
Highway and Streets	1,006,299	978,737	-	-	1,006,299	978,737	27,563
Airport	53,000	28,000	-	-	53,000	28,000	25,000
Parks and recreation	282,075	305,153	-	-	282,075	305,153	(23,078)
Interest on long-term debt	23,494	29,268	-	-	23,494	29,268	(5,774)
Economic Development	31,668	16,916	-	-	31,668	16,916	14,752
Sanitation	534,236	430,492	-	-	534,236	430,492	103,744
Electric	-	-	10,553,297	11,146,964	10,553,297	11,146,964	(593,667)
Water and sewer	<u>-</u>	<u>-</u>	<u>3,600,715</u>	<u>3,311,371</u>	<u>3,600,715</u>	<u>3,311,371</u>	<u>289,344</u>
Total expenses	<u>4,624,579</u>	<u>4,345,490</u>	<u>14,154,012</u>	<u>14,458,335</u>	<u>18,778,591</u>	<u>18,803,825</u>	<u>(25,234)</u>
Increase (Decrease) in net position before capital contributions and transfers	\$ 1,448,934	\$ 1,019,410	\$ 1,680,147	\$ 1,853,532	\$ 3,129,081	\$ 2,872,941	\$ 256,139
Capital Contributions and Transfers:							
Operating Transfers In	137,716	137,716	-	-	137,716	137,716	-
Capital Contributions	48,154	6,129	83,363	35,995	131,517	42,124	89,393
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(137,716)</u>	<u>(137,716)</u>	<u>(137,716)</u>	<u>(137,716)</u>	<u>-</u>
Increase in Net Position	\$ 1,634,803	\$ 1,163,255	\$ 1,625,794	\$ 1,751,811	\$ 3,260,598	\$ 2,915,066	\$ 345,532
Net position - July 1	<u>15,482,435</u>	<u>14,319,181</u>	<u>28,748,621</u>	<u>26,996,810</u>	<u>44,231,056</u>	<u>41,315,991</u>	<u>2,915,065</u>
Net position - June 30	<u>\$ 17,117,238</u>	<u>\$ 15,482,435</u>	<u>\$ 30,374,415</u>	<u>\$ 28,748,621</u>	<u>\$ 47,491,654</u>	<u>\$ 44,231,057</u>	<u>\$ 3,260,597</u>

2020 Governmental Revenues



2019 Governmental Revenues



This graph shows the percentages of revenues collected for the governmental funds for the year ended June 30, 2020 and June 30, 2019. As discussed earlier, the City relies heavily on local taxes, such as sales tax. Capital grants increased by \$89,393.

Governmental activities. Governmental activities increased the City of Sparta's net position by \$1,634,803, which accounts for 50.13% of the total growth in the net position of the City of Sparta in FY 2020. Key elements of this increase are as follows:

Decreases in expenses and increases in taxes and grant revenues resulted in an increase in net position in these funds for the year ended June 30, 2020.

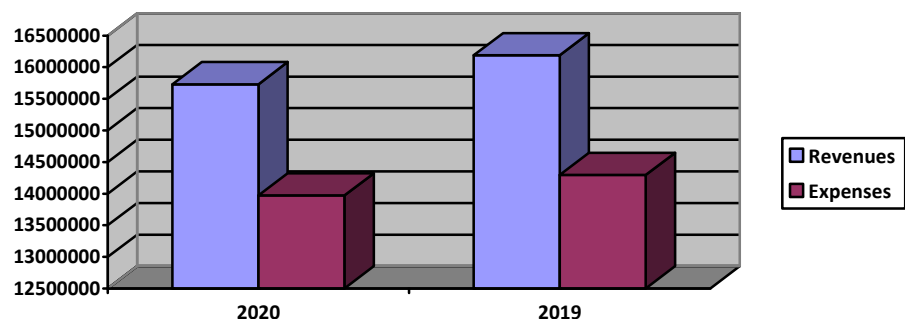
Business-type activities. Business-type activities increased the City's net position by \$1,625,795 accounting for a 49.87% increase in the total growth in the government's net position. Key elements of the increase are as follows:

Operating income for the Electric, Water and Sewer activities was \$1,758,283 which was \$134,578 (7.11%) less than that fiscal year ended June 30, 2019.

Financial Analysis of the Government's Funds:

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

Business-type activities Revenues verses Expenses



Business-type activities are shown comparing cost to revenues generated by related services. Electric, water and sewer utilities are intended to be self-supporting with user charges and other revenues designed to recover costs. Sewer charges did not fully recover depreciation associated with the significant investment in capital assets for either year. Expenses decreased in 2020 by \$304,323, while revenues also decreased by \$430,340.

Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a 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’s governmental funds reported combined ending fund balances of \$9,107,794 an increase of \$1,564,018 in comparison with the prior year. \$8,102,250 of this amount constitutes unassigned fund balance, which is available for spending at the government’s discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,102,250. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 226.75% of total general fund expenditures, while total fund balance represents 254.90%.

The fund balance of the City’s general fund increased by \$1,561,758 as a result of the current fiscal year operations.

Proprietary funds. The City’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Electric, Water and Sewer funds at the end of the year amounted to \$9,357,269. The total increase in net position for the Electric, Water and Sewer funds were \$1,625,795. Other factors concerning the finances have been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for expenses were minor and can be briefly summarized as follows:

	<u>Budget:</u>	<u>Increase to:</u>
General Fund 110	\$4,529,195	\$ 4,853,948
Equipment Fund 120	108,200	148,200
Solid Waste Fund 125	568,000	608,000
Capital Projects Fund 311	205,000	655,000

Capital Asset and Debt Administration

At the end of fiscal year 2020, the City had \$34,829,077 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, buildings, utility system, equipment and infrastructure.

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

Purchase of additional various equipment and vehicles
 Construction of a new picnic Pavilion bathroom
 Construction of a new Kayak Launching Dock

Additional information on the City's capital assets can be found in Note E on page 48 of this report.

The following tables summarize the City's capital assets for the year ended June 30, 2020. These changes are presented in detail in Note E to the financial statements.

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Buildings	\$ 3,336,520	\$ 3,329,319	\$ -	\$ -	\$ 3,336,520	\$ 3,329,319
Construction in Progress	14,924	-	142,068	435,976	156,992	435,976
Land	731,769	731,769	265,412	265,412	997,181	997,181
Improvements, other than building	4,754,941	4,674,955	5,615,071	5,615,071	10,370,012	10,290,027
Infrastructure	2,755,843	2,755,843	-	-	2,755,843	2,755,843
Utility System			38,931,038	38,264,270	38,931,038	38,264,270
Equipment	<u>5,084,540</u>	<u>5,123,992</u>	<u>3,592,514</u>	<u>3,487,582</u>	<u>8,677,054</u>	<u>8,611,574</u>
Less: Accumulated Depreciation	<u>(8,294,381)</u>	<u>(8,011,781)</u>	<u>(22,101,183)</u>	<u>(21,270,589)</u>	<u>(30,395,564)</u>	<u>(29,282,370)</u>
Total	<u>\$ 8,384,156</u>	<u>\$ 8,604,097</u>	<u>\$ 26,444,921</u>	<u>\$ 26,797,722</u>	<u>\$ 34,829,077</u>	<u>\$ 35,401,820</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,284,230. All debt is backed by the full faith and credit of the government.

	Governmental Activities		Business-type Activities		Total		Total Change
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
General obligation bonds	\$ 613,517	\$ 843,449	\$ 656,920	\$ 973,761	\$ 1,270,437	\$ 1,817,211	\$ (546,774)
Revenue bonds	-	-	5,013,793	5,211,411	5,013,793	5,211,411	(197,618)
Total	<u>\$ 613,517</u>	<u>\$ 843,449</u>	<u>\$ 5,670,713</u>	<u>\$ 6,185,173</u>	<u>\$ 6,284,230</u>	<u>\$ 7,028,622</u>	<u>\$ (744,392)</u>

The City's total bonded debt decreased a net of \$744,392 during the current fiscal year. Of this amount, general obligation debt decreased by a net of \$229,932, while water and sewer bonded debt decreased by \$514,460.

Additional information on the City's long-term debt can be found in Note F, beginning on pages 50.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the City's budget for the 2020 fiscal year include the following:

- The 2020 unemployment rate for Sparta and White County at June 30, 2020 was 8.60 %, compared to the State's rate of 9.6% and the national average unemployment rate of 11.10 %. This drastic change was due to the Covid-19 Pandemic.
- Sales tax revenues has consistently increased over the last year making revenue budget projections easier to rely on with the ever constant and growing expenses.
- Budgeting with a slight increase in taxes to be able to meet the demand of services provided by the City to the taxpayers will be a challenge.

At June 30, 2020 the unassigned fund balance in the general fund was \$8,102,250. The property tax rate was \$.9183 per \$100 of assessed value of property. Electric rates increased, as did Water and Sewer rates.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office of the City Administrator, City of Sparta, Post Office Box 30, Sparta, Tennessee 38583.

BASIC FINANCIAL STATEMENTS

CITY OF SPARTA, TENNESSEE
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents - Note C	\$ 8,388,544.67	\$ 8,500,461.44	\$ 16,889,006.11
Property taxes receivable, less allowance for doubtful taxes (\$9,091.36) - Note B	1,293,497.11	-	1,293,497.11
Accounts receivable - net	-	1,075,134.11	1,075,134.11
Unbilled revenue	-	465,196.48	465,196.48
Other receivables	35,880.72	79,188.53	115,069.25
Due from other governments	668,036.39	84,412.00	752,448.39
Internal balances	121,381.05	(121,381.05)	-
Inventories	-	382,724.97	382,724.97
Prepaid expenses and other current assets	13,579.73	94,294.78	107,874.51
Net pension asset	30,864.84	25,556.16	56,421.00
Capital assets - Note E:			
Land and construction in progress	746,693.01	407,480.10	1,154,173.11
Buildings and equipment, net of depreciation	7,637,463.41	26,037,440.41	33,674,903.82
TOTAL ASSETS	\$ 18,935,940.93	\$ 37,030,507.93	\$ 55,966,448.86
DEFERRED OUTFLOWS OF RESOURCES -			
Deferred outflows related to pensions	541,208.00	436,932.49	978,140.49
LIABILITIES			
Accounts payable	\$ 112,399.04	\$ 287,660.29	\$ 400,059.33
Accounts payable - construction	-	45,119.09	45,119.09
Customer deposits	-	612,645.00	612,645.00
Accrued expenses	2,526.47	227,634.19	230,160.66
Unearned income	-	15,604.80	15,604.80
Long-term liabilities - Note F			
Due within one year	395,891.22	522,404.18	918,295.40
Due in more than one year	377,425.19	5,193,415.96	5,570,841.15
TOTAL LIABILITIES	888,241.92	6,904,483.51	7,792,725.43
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenue - current property taxes	\$ 1,235,228.82	\$ -	\$ 1,235,228.82
Deferred inflows related to pensions	236,439.62	188,541.38	424,981.00
TOTAL DEFERRED INFLOWS OF RESOURCES	1,471,668.44	188,541.38	1,660,209.82
NET POSITION			
Net investment in capital assets	\$ 7,770,638.86	\$ 20,750,243.32	\$ 28,520,882.18
Restricted for:			
Drug fund	65,067.16	-	65,067.16
Highways and streets	121,251.31	-	121,251.31
Pensions	30,864.84	25,556.16	56,421.00
Debt service		241,347.16	241,347.16
Unrestricted	9,129,416.40	9,357,268.89	18,486,685.29
TOTAL NET POSITION	\$ 17,117,238.57	\$ 30,374,415.53	\$ 47,491,654.10

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 883,052.70	\$ 83,394.73	\$ 2,336.00	\$ -	\$ (797,321.97)	\$ -	\$ (797,321.97)
Public safety	1,810,753.55	111,770.92	16,311.11	-	(1,682,671.52)	-	(1,682,671.52)
Highways, streets and public works	1,006,298.98	-	191,662.71	5,654.16	(808,982.11)	-	(808,982.11)
Sanitation	534,235.98	556,765.00	-	-	22,529.02	-	22,529.02
Leisure and culture	282,075.60	14,265.00	16,175.00	42,500.00	(209,135.60)	-	(209,135.60)
Airport	53,000.00	-	-	-	(53,000.00)	-	(53,000.00)
Economic development	31,667.96	-	-	-	(31,667.96)	-	(31,667.96)
Interest and fees on long-term debt	23,494.54	-	-	-	(23,494.54)	-	(23,494.54)
Total governmental activities	\$ 4,624,579.31	\$ 766,195.65	\$ 226,484.82	\$ 48,154.16	\$ (3,583,744.68)	\$ -	\$ (3,583,744.68)
Business-type activities							
Water and sewer	\$ 3,593,424.71	\$ 4,203,849.99	\$ -	\$ 83,363.23	\$ -	\$ 693,788.51	\$ 693,788.51
Electric	10,553,297.74	11,525,074.76	-	-	-	971,777.02	971,777.02
Total business-type activities	\$ 14,146,722.45	\$ 15,728,924.75	\$ -	\$ 83,363.23	\$ -	\$ 1,665,565.53	\$ 1,665,565.53
Total primary government	\$ 18,771,301.76	\$ 16,495,120.40	\$ 226,484.82	\$ 131,517.39			
General revenues:							
Taxes:							
Property taxes, penalty and interest					\$ 1,208,346.27	\$ -	\$ 1,208,346.27
Payments in lieu of taxes					132,325.69	-	132,325.69
Local option sales tax					2,495,423.22	-	2,495,423.22
Wholesale beer & liquor tax					325,802.62	-	325,802.62
State sales tax					461,993.91	-	461,993.91
State income tax					5,006.95	-	5,006.95
State beer and alcoholic beverage tax					5,352.56	-	5,352.56
State telecom tax					12,798.99	-	12,798.99
State corporate excise tax					96,714.31	-	96,714.31
Business taxes, penalty and interest					201,758.21	-	201,758.21
Miscellaneous					20,834.84	4,277.32	25,112.16
Gain (Loss) on sale of capital assets					15,540.56	(7,290.02)	8,250.54
Unrestricted interest earnings					98,934.16	100,957.33	199,891.49
Transfers					137,715.60	(137,715.60)	-
Total general revenues					\$ 5,218,547.89	\$ (39,770.97)	\$ 5,178,776.92
Change in net position					\$ 1,634,803.21	\$ 1,625,794.56	\$ 3,260,597.77
Net position - beginning					15,482,435.36	28,748,620.97	44,231,056.33
Net position - ending					\$ 17,117,238.57	\$ 30,374,415.53	\$ 47,491,654.10

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	GOVERNMENTAL FUND TYPES			Total Government Funds
	General	Debt Service	Nonmajor Funds	
<u>ASSETS</u>				
Cash and cash equivalents - Note A	\$ 7,230,774.84	\$ 114,525.37	\$ 1,043,244.46	\$ 8,388,544.67
Property taxes receivable, less allowance for doubtful taxes (\$9,091.36) - Note B	1,293,497.11	-	-	1,293,497.11
Other receivables	34,971.59	-	909.13	35,880.72
Due from other governments	638,145.46	-	29,890.93	668,036.39
Due from other funds	288,100.52	-	45,197.00	333,297.52
Other assets	13,580.32	-	-	13,580.32
Total assets	\$ 9,499,069.84	\$ 114,525.37	\$ 1,119,241.52	\$ 10,732,836.73
<u>LIABILITIES</u>				
Accounts payable	\$ 82,012.49	\$ -	\$ 30,386.55	\$ 112,399.04
Unearned revenue - other revenue	4,345.28	-	-	4,345.28
Due to other funds	-	-	211,917.06	211,917.06
				-
Total liabilities	\$ 86,357.77	\$ -	\$ 242,303.61	\$ 328,661.38
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	\$ 1,296,381.29	\$ -	\$ -	\$ 1,296,381.29
<u>FUND BALANCES</u>				
Nonspendable fund balance:	\$ 13,580.32	\$ -	\$ -	\$ 13,580.32
Restricted fund balances:				
Drug fund	-	-	65,067.16	65,067.16
Highways and streets	-	-	121,251.31	121,251.31
Committed fund balances:				
Industrial development fund	-	-	606,355.86	606,355.86
Solid waste fund	-	-	20,410.61	20,410.61
Assigned fund balances:				
General fund	500.00	-	-	500.00
Equipment fund	-	-	35,335.60	35,335.60
Liberty square fund	-	-	28,517.37	28,517.37
Debt service fund	-	114,525.37	-	114,525.37
Unassigned fund balance:	8,102,250.46	-	-	8,102,250.46
Total fund balances	\$ 8,116,330.78	\$ 114,525.37	\$ 876,937.91	\$ 9,107,794.06
	\$ 9,499,069.84	\$ 114,525.37	\$ 1,119,241.52	\$ 10,732,836.73

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances for governmental funds		\$ 9,107,794.06
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		8,384,156.42
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Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds:

Property taxes	\$ 61,152.47	
State income taxes	4,345.28	
		65,497.75

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances at June 30, 2020 are as follows:

Bonds and notes payable	\$ (613,517.56)	
Accrued interest on bonds	(2,526.47)	
Compensated absences	(159,798.85)	
		(775,842.88)

Pension assets, including deferred inflows and outflows, are not due and payable in the current period and, therefore, are not reported in the funds.

		335,633.22
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TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 17,117,238.57
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CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2020

	General	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes and tax equivalents	\$ 4,361,872.82	\$ -	\$ -	\$ -	\$ 4,361,872.82
Licenses and permits	22,174.75	-	-	-	22,174.75
Intergovernmental	753,593.28	-	-	180,216.22	933,809.50
Fines and costs	59,073.16	-	-	15,184.76	74,257.92
Charges for services	54,207.86	-	-	554,355.00	608,562.86
Rent	5,115.00	-	-	-	5,115.00
Interest	86,968.18	1,783.50	-	10,182.48	98,934.16
Contributions	2,336.00	-	-	16,175.00	18,511.00
Other	32,378.84	-	-	-	32,378.84
TOTAL REVENUES	\$ 5,377,719.89	\$ 1,783.50	\$ -	\$ 776,113.46	\$ 6,155,616.85
Expenditures:					
Board of Aldermen	\$ 6,453.52	\$ -	\$ -	\$ -	\$ 6,453.52
City Court	34,976.02	-	-	-	34,976.02
Mayor	10,989.13	-	-	-	10,989.13
Boards and commissions	1,190.00	-	-	-	1,190.00
City Administrator	95,129.27	-	-	-	95,129.27
Financial Administration	7,138.66	-	-	-	7,138.66
City Recorder	43,866.52	-	-	-	43,866.52
City Attorney	6,001.40	-	-	-	6,001.40
GIS System	7,517.75	-	-	-	7,517.75
City Hall buildings	50,428.00	-	-	-	50,428.00
General election	11,879.71	-	-	-	11,879.71

CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (CONT'D)
Year ended June 30, 2020

	General	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Industrial park	627.14	-	-	-	627.14
Public works	36,714.70	-	18,700.00	-	55,414.70
Planning	21,122.88	-	-	-	21,122.88
General government	188,655.97	-	-	-	188,655.97
Police	1,057,789.24	-	-	57,627.38	1,115,416.62
Traffic control	4,604.18	-	-	-	4,604.18
Contribution to E-911	69,954.00	-	-	-	69,954.00
Fire Department	471,817.24	-	-	-	471,817.24
Protective inspection	74,709.71	-	-	-	74,709.71
Rescue squad	3,300.00	-	-	-	3,300.00
Highways and streets	682,925.72	-	36,111.38	223,244.92	942,282.02
Sanitation	-	-	-	499,487.59	499,487.59
Animal control	40,245.26	-	-	-	40,245.26
Direct assistance	76,295.24	-	-	-	76,295.24
Civic Center	25,065.66	-	-	-	25,065.66
Oldham Theater	9,037.66	-	-	-	9,037.66
Little League Ballparks	4,455.96	-	-	-	4,455.96
Swimming Pool - YMCA	36,416.77	-	-	-	36,416.77
Liberty Square Celebrations	-	-	-	33,362.18	33,362.18
Sock hop	97.30	-	-	-	97.30
Amphitheater concerts	4,473.00	-	-	-	4,473.00
Parks	42,565.78	-	-	-	42,565.78
Economic development and assistance	1,330.00	-	-	29,710.82	31,040.82

CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (CONT'D)
Year ended June 30, 2020

	General	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Weed and mosquito control	2,100.00	-	-	-	2,100.00
Insurance	329,701.00	-	-	-	329,701.00
Municipal Airport	53,000.00	-	-	-	53,000.00
Capital outlay	50,267.74				50,267.74
City Cemetery	3,700.00				3,700.00
Sidewalk Projects	-	-	10,326.82	-	10,326.82
Debt service:					
Principal payments	4,472.99	225,458.60	-	-	229,931.59
Interest	2,101.01	22,168.82	-	-	24,269.83
TOTAL EXPENDITURES	\$ 3,573,116.13	\$ 247,627.42	\$ 65,138.20	\$ 843,432.89	\$ 4,729,314.64
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,804,603.76	\$ (245,843.92)	\$ (65,138.20)	\$ (67,319.43)	\$ 1,426,302.21
Other financing sources (uses):					
Operating transfers in	137,715.60	247,627.42	65,138.20	208,543.58	659,024.80
Operating transfers (out)	(380,561.24)	-	-	(140,747.96)	(521,309.20)
CHANGE IN FUND BALANCE	\$ 1,561,758.12	\$ 1,783.50	\$ -	\$ 476.19	\$ 1,564,017.81
Fund balance at July 1, 2019	6,554,572.66	112,741.87	-	876,461.72	7,543,776.25
FUND BALANCE AT JUNE 30, 2020	\$ 8,116,330.78	\$ 114,525.37	\$ -	\$ 876,937.91	\$ 9,107,794.06

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Net change in fund balance - total governmental funds	\$ 1,564,017.81
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The change in net position reported for governmental activities
in the statement of activities is 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 and reported as depreciation expense. This is the amount by which depreciation expense (\$491,613.02) exceeded capital outlays (\$271,672.19) for the current period.	(219,940.83)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(37,546.49)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	229,931.59
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in two balances.

Compensated absences	\$ (2,784.38)	
Accrued interest on bonds	775.29	(2,009.09)

Pension expense for the prior year is not reported in the governmental funds but is reported in the statement of activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the statement of activities	100,350.22
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,634,803.21
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CITY OF SPARTA, TENNESSEE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
For the year ended June 30, 2020

	Sparta Electric System	Sparta Water and Sewer System	Totals
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 4,157,119.32	\$ 4,343,342.12	\$ 8,500,461.44
Accounts receivable, net of allowance (\$5,751.37)	1,075,134.11	-	1,075,134.11
Unbilled revenue	275,407.24	189,789.24	465,196.48
Other receivables	47,553.65	-	47,553.65
Grants receivable	-	84,412.00	84,412.00
Inventories	199,487.72	183,237.25	382,724.97
Net pension asset	6,883.41	18,672.75	25,556.16
Prepaid expenses and other current assets	38,796.87	55,497.91	94,294.78
TOTAL CURRENT ASSETS	\$ 5,800,382.32	\$ 4,874,951.27	\$ 10,675,333.59
NONCURRENT ASSETS:			
Capital assets net of accumulated depreciation - Note E	5,556,946.96	20,887,973.55	26,444,920.51
Other receivables	31,634.88	-	31,634.88
TOTAL ASSETS	\$ 11,388,964.16	\$ 25,762,924.82	\$ 37,151,888.98
DEFERRED OUTFLOWS OF RESOURCES - Pension plan	187,624.49	249,308.00	436,932.49
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,576,588.65	\$ 26,012,232.82	\$ 37,588,821.47
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts payable - Trade	\$ 167,262.70	\$ 120,397.59	\$ 287,660.29
Accounts payable - Construction	43,900.00	1,219.09	45,119.09
Due to water and sewer	374,573.64	(374,573.64)	-
Due to other funds	72,203.34	49,177.71	121,381.05
Customer deposits	452,065.00	160,580.00	612,645.00
Tennessee sales tax payable	24,408.00	11,991.00	36,399.00
Accrued salaries and wages	5,544.97	7,282.51	12,827.48
Accrued vacation	77,248.00	62,862.71	140,110.71
Accrued interest payable	-	31,177.13	31,177.13
Unearned income	-	15,604.80	15,604.80
Other current liabilities	4,080.72	3,039.15	7,119.87
Current portion of long-term debt	-	522,404.18	522,404.18
	\$ 1,221,286.37	\$ 611,162.23	\$ 1,832,448.60
NONCURRENT LIABILITIES - Note F			
Bonds and notes payable - net of current portion	21,142.95	5,172,273.01	5,193,415.96
TOTAL LIABILITIES	\$ 1,242,429.32	\$ 5,783,435.24	\$ 7,025,864.56
DEFERRED INFLOWS OF RESOURCES - Pension plan	78,126.38	110,415.00	188,541.38
<u>NET POSITION</u>			
Net investment in capital assets	\$ 5,556,946.96	\$ 15,193,296.36	\$ 20,750,243.32
Restricted for debt service	-	241,347.16	241,347.16
Restricted for pensions	6,883.41	18,672.75	25,556.16
Unrestricted	4,692,202.58	4,665,066.31	9,357,268.89
TOTAL NET POSITION	10,256,032.95	20,118,382.58	30,374,415.53
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES	\$ 11,576,588.65	\$ 26,012,232.82	\$ 37,588,821.47

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2020

	Sparta Electric System	Sparta Water and Sewer System	Total
Operating revenue:			
Revenue billings (net of bad debts)	\$ 11,200,172.72	\$ 4,064,532.25	\$ 15,264,704.97
Other operating revenue	324,902.04	139,317.74	464,219.78
TOTAL OPERATING REVENUE	\$ 11,525,074.76	\$ 4,203,849.99	\$ 15,728,924.75
Operating expenses:			
Purchased power	\$ 8,703,578.93	\$ -	\$ 8,703,578.93
Operations and maintenance	1,533,855.69	2,593,652.86	4,127,508.55
Depreciation - straight-line	253,600.30	750,667.80	1,004,268.10
Taxes	51,250.77	84,035.23	135,286.00
TOTAL OPERATING EXPENSES	\$ 10,542,285.69	\$ 3,428,355.89	\$ 13,970,641.58
OPERATING INCOME	\$ 982,789.07	\$ 775,494.10	\$ 1,758,283.17
Non-operating revenue (expense):			
Interest income	48,499.66	52,457.67	100,957.33
Amortization of bond premium	-	1,416.63	1,416.63
Other non-operating revenue	4,277.32	-	4,277.32
Loss on disposal of capital assets	-	(7,290.02)	(7,290.02)
Donations	(811.54)		(811.54)
Interest expense	(10,200.51)	(166,485.45)	(176,685.96)
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	\$ 1,024,554.00	\$ 655,592.93	\$ 1,680,146.93
Operating transfers out	(105,715.68)	(31,999.92)	(137,715.60)
Community Development Block Grant		48,340.32	48,340.32
ARC grant	-	35,022.91	35,022.91
INCREASE IN NET POSITION	\$ 918,838.32	\$ 706,956.24	\$ 1,625,794.56
Net position at July 1, 2019	9,337,194.63	19,411,426.34	28,748,620.97
NET POSITION AT JUNE 30, 2020	\$ 10,256,032.95	\$ 20,118,382.58	\$ 30,374,415.53

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2020

	Sparta Electric System	Sparta Water & Sewer System	Totals
Cash flows from operating activities:			
Receipts from customers and users	\$ 11,666,604.34	\$ 4,244,054.08	\$ 15,910,658.42
Payments to suppliers	(10,319,907.43)	(1,184,726.96)	(11,504,634.39)
Payments to employees	(490,168.83)	(1,554,230.49)	(2,044,399.32)
	<u>856,528.08</u>	<u>1,505,096.63</u>	<u>2,361,624.71</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 856,528.08	\$ 1,505,096.63	\$ 2,361,624.71
Cash flows from noncapital financing activities -			
Net decrease in energy service loan advances from TVA	\$ (23,800.76)	\$ -	\$ (23,800.76)
Operating transfers	(105,715.68)	(31,999.92)	(137,715.60)
Other non-operating income	4,277.32	-	4,277.32
	<u>(125,239.12)</u>	<u>(31,999.92)</u>	<u>(157,239.04)</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	\$ (125,239.12)	\$ (31,999.92)	\$ (157,239.04)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (413,619.98)	\$ (343,965.76)	\$ (757,585.74)
Grant proceeds	-	34,946.49	34,946.49
Principle paid on long-term debt	-	(514,460.12)	(514,460.12)
Interest and fees paid on long-term debt	-	(164,015.69)	(164,015.69)
	<u>(413,619.98)</u>	<u>(987,495.08)</u>	<u>(1,401,115.06)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (413,619.98)	\$ (987,495.08)	\$ (1,401,115.06)
Cash flows from investing activities:			
Interest from investments	\$ 48,499.66	\$ 52,457.67	\$ 100,957.33
Payment on CSA loan	(1,091.77)	-	(1,091.77)
Net advances on energy service loans	23,800.76	-	23,800.76
	<u>71,208.65</u>	<u>52,457.67</u>	<u>123,666.32</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 71,208.65	\$ 52,457.67	\$ 123,666.32
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 388,877.63	\$ 538,059.30	\$ 926,936.93
Cash and cash equivalents, July 1, 2019	3,768,241.69	3,805,282.82	7,573,524.51
CASH AND CASH EQUIVALENTS AT JUNE 30, 2020	<u><u>\$ 4,157,119.32</u></u>	<u><u>\$ 4,343,342.12</u></u>	<u><u>\$ 8,500,461.44</u></u>

See the notes to financial statements.

CITY OF SPARTA, TENNESSEE
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the year ended June 30, 2020

	Sparta Electric System	Sparta Water & Sewer System	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 982,789.07	\$ 775,494.10	\$ 1,758,283.17
Adjustments to reconcile net income to net cash provided from operating activities			
Provision for depreciation	367,273.57	750,667.80	1,117,941.37
Change in net pension liability (asset)	(48,855.48)	(58,192.55)	(107,048.03)
Change in deferred outflows - pension expense	(4,122.45)	(10,046.38)	(14,168.83)
Change in deferred inflows - pension expense	12,149.35	15,065.61	27,214.96
Interest paid on customer deposits	(10,200.51)	(3,618.02)	(13,818.53)
Donations	(811.54)		(811.54)
Bad debts	3,167.34		3,167.34
Change in current assets and current liabilities:			
(Increase) decrease in accounts receivable	136,853.74	-	136,853.74
(Increase) decrease in inventory	9,192.15	(5,218.21)	3,973.94
(Increase) decrease in due from Sparta Electric System	-	(6,086.41)	(6,086.41)
(Increase) decrease in unbilled revenue	-	14,344.93	14,344.93
(Increase) decrease in prepaid assets and other assets	(6,700.70)	(1,443.14)	(8,143.84)
Increase (decrease) in accounts payable	(601,084.32)	19,694.31	(581,390.01)
Increase (decrease) in due to other funds	10,849.21	8,854.79	19,704.00
Increase (decrease) in accrued payroll and vacation	(15,046.45)	(21,398.02)	(36,444.47)
Increase (decrease) in customer deposits	22,675.00	10,625.00	33,300.00
Increase (decrease) in unearned income	-	15,604.80	15,604.80
Increase (decrease) in other current liabilities	(1,599.90)	748.02	(851.88)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 856,528.08	\$ 1,505,096.63	\$ 2,361,624.71

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) (See Note A)	Final Budget - Positive (Negative)
TOTAL REVENUES	\$ 4,080,479	\$ 4,080,479	\$ 5,377,720	\$ 1,297,241
Expenditures:				
General Government:				
Board of Aldermen	\$ 21,293	\$ 21,293	\$ 6,454	\$ 14,839
City Court	62,123	63,000	34,976	28,024
Mayor	28,379	28,379	10,989	17,390
Boards and Commissions	1,300	1,300	1,190	110
City Administrator	238,931	238,931	95,129	143,802
General Elections	4,556	12,000	11,880	120
Financial administration	8,836	8,836	7,139	1,697
City Recorder	108,341	108,341	43,867	64,474
City Attorney	10,479	10,479	6,001	4,478
Personnel administration	1,000	1,000	-	1,000
Engineering - GIS	74,193	74,193	7,518	66,675
Planning and zoning	21,123	21,123	21,123	0
City Hall building	61,515	61,515	50,428	11,087
Industrial Parks	600	800	627	173
Other general government	233,793	233,793	188,656	45,137
Public Safety:				
Police	1,011,597	1,100,000	1,057,789	42,211
Traffic control	2,000	5,000	4,604	396
Emergency communication services	69,954	69,954	69,954	-
Fire	435,518	500,000	471,817	28,183
Inspection	97,013	97,013	74,710	22,303
Rescue Squad	3,300	3,300	3,300	-
Public Works:				
Administrative	142,248	145,000	36,715	108,285
Highways and streets	732,887	750,000	682,926	67,074
Mosquito control	2,000	2,000	2,100	(100)
Animal control	43,289	43,289	40,245	3,044
Direct assistance	124,679	124,679	76,295	48,384

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND (Cont'd)
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Leisure and culture:				
Civic Center	30,218	30,218	25,066	5,152
Oldham's Theater	18,302	18,302	9,038	9,264
Little league ballparks	15,320	15,320	4,456	10,864
Swimming Pool	43,025	43,025	36,417	6,608
Sock hop	3,000	3,000	97	2,903
Amphitheater concerts	7,050	7,050	4,473	2,577
Parks	49,250	49,250	42,566	6,684
Cemeteries	-	5,000	3,700	1,300
Kayak Dock & Restrooms	-	50,000	47,967	2,033
Caboose	-	7,000	2,301	4,699
Airport	53,000	53,000	53,000	-
Economic development	4,500	4,500	1,330	3,170
Insurance, employers share	374,430	374,430	329,701	44,729
Debt Service:				
Principal	4,473	4,473	4,473	0
Interest	2,101	2,101	2,101	(0)
TOTAL EXPENDITURES	\$ 4,145,616	\$ 4,391,887	\$ 3,573,116	\$ 818,771
REVENUES OVER				
(UNDER) EXPENDITURES	\$ (65,137)	\$ (311,408)	\$ 1,804,604	\$ 2,116,012
Other financing sources (uses):				
Operating transfers in:				
Electric System	105,716	105,716	105,716	-
Water and Sewer System	32,000	32,000	32,000	(0)
Other funds	311,000	311,000	-	(311,000)
Operating transfers out:				
Debt Service	(139,380)	(139,380)	(139,379)	1
Liberty Square fund	(20,000)	(20,000)	(20,000)	-
Other funds	(233,200)	(308,200)	(221,182)	87,018
REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER				
FINANCING SOURCES (USES)	\$ (9,001)	\$ (330,272)	\$ 1,561,758	\$ 1,892,030
Fund balance at July 1, 2019	6,554,573	6,554,573	6,554,573	-
FUND BALANCE AT JUNE 30, 2020	\$ 6,545,572	\$ 6,224,300	\$ 8,116,331	\$ 1,892,030

See the notes to financial statements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the City of Sparta, Tennessee (City), are disclosed in subsequent sections of this note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2020.

2. REPORTING ENTITY

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. While financial accountability is central to the identification of component units, even if it does not exist, an entity will be considered a component unit if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements.

Based upon this concept, the City of Sparta has no component units.

3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Cont'd)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND
FINANCIAL STATEMENT PRESENTATION**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND
FINANCIAL STATEMENT PRESENTATION (Cont'd)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated on these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services which are billed monthly. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note D for information describing restricted assets.

5. FUND TYPES AND MAJOR FUNDS

The accounts of the City are organized in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

GOVERNMENTAL FUNDS

The City reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Capital Projects Fund - The capital project fund is used to account for the construction and acquisition of major capital facilities, primarily infrastructure assets such as streets and sidewalks.

The other governmental funds of the City are as follows:

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

5. FUND TYPES AND MAJOR FUNDS (Cont'd)

PROPRIETARY FUNDS

The City reports the following major enterprise funds:

Sparta Electric System – accounts for the operating activities of the City's electric utilities services.

Sparta Water and Sewer System – accounts for the operating activities of the City's water supply system and of its sewage treatment plant, pumping stations, and collection system.

6. FUND BALANCES

Non-spendable Fund Balance – Fund balances reported as non-spendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, encumbrances, advances to other funds and noncurrent notes receivables.

Restricted Fund Balance – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

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

Committed Fund Balance – Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the Board of Mayor and Aldermen. Formal action, a resolution, must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance – Fund balances reported as assigned are intended for certain purposes as approved by Board of Mayor and Aldermen or management.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

6. FUND BALANCES (cont'd)

Unassigned Fund Balance – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as they are needed.

7. CAPITAL ASSETS AND DEPRECIATION

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost, or estimated cost if actual cost is not available, and comprehensively reported in the government-wide financial statements. Capital assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to the construction or acquisition of the assets. Donated capital assets are valued at their estimated fair value on the date donated.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the City is items purchased or betterment, not repairs, in excess of \$2,500.00 and having a useful life of one year or more will be capitalized.

General infrastructure assets acquired prior to July 1, 2004, are not reported in the basic financial statements.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

7. CAPITAL ASSETS AND DEPRECIATION (Cont'd)

Capital assets are depreciated using the straight-line method over the following estimated lives:

	<u>Years</u>
Buildings	39
Improvements, other than buildings	20-39
Equipment	5-12
Streets and sidewalks	50

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund statements of net assets.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Buildings	15-40
Improvements, other than buildings	10-40
Equipment	3-10

8. BUDGETS AND BUDGETARY ACCOUNTING

Prior to July 1, the budget is legally enacted through passage of a resolution. Each fund's budget is prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the resolution. The City Administrator is authorized to transfer line item amounts within any department; however, any revisions that alter the total expenditures to exceed the original budgeted amount must be approved by the Board of Mayor and Aldermen. All appropriations lapse at the end of each year.

The City's budgetary basis of accounting is consistent with generally accepted accounting principles.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

9. CASH EQUIVALENTS

For purpose of the statement of cash flows, all highly liquid investments with a maturity with a maturity date of three months or less when purchased are considered to be cash equivalents.

10. INVENTORIES

Sparta Electric System inventories are valued at average cost accumulated in perpetual inventory records which are periodically adjusted to physical counts.

Sparta Water and Sewer System inventories are priced at cost based on the first-in, first-out method.

11. CREDIT RISK

The City of Sparta provides water, sewer, electrical power and governmental type services for residential, commercial and industrial customers and citizens in the City of Sparta, Tennessee.

12. COMPENSATED ABSENCES

The City allows employees to accumulate unused sick leave. An employee terminated from service is not paid accumulated sick leave; therefore, sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

13. USES OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Accordingly, actual results could differ from those estimates.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

14. CONTRIBUTIONS

Contributions are recognized in the Statement of Revenues, Expenditures, and Changes in Net Position when earned. Contributions include developer contributed utility systems and federal, state and local grants in support of system improvements.

15. NET POSITION

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets; restricted for capital activity and debt service; and unrestricted position. Net investment in capital asset is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination.

Restricted for capital activity and debt service includes net position restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted is the net position that do not meet the definition of net investment in capital assets or restricted for capital activity and debt service.

16. PROVISION FOR UNCOLLECTIBLE ACCOUNTS

Management has made an allowance for uncollectible accounts receivable. The allowance is based on prior years' experience.

17. NET POSITION FLOW ASSUMPTION

Sometimes the system will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE A (Cont'd):

18. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

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

For the year ended June 30, 2020, the City's governmental funds report unavailable revenue from property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also reports deferred outflows and deferred inflows from pensions.

19. PENSIONS

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Sparta's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Sparta's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

20. IMPLEMENTATION OF GASB STATEMENT NO. 89

During the year ended June 30, 2020, the City early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs incurred before the end of a construction period are recognized as an expense in the period incurred.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE B - PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1, and are payable before March 1. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTE C – BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City.

Investments are held in the State of Tennessee's Local Government Investment Pool ("LGIP") and are not subject to categorization. LGIP investments are reported at cost.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE C – (Cont'd):

Statutes authorize the City to invest in direct obligations of the United States Treasury, its agencies and instrumentalities; money market funds; and, the state treasurer's investment pool (Tennessee Local Government Investment Pool), prime commercial paper, bankers' acceptance notes and certificates of deposit. The state treasurer's investment pool (LGIP) is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, the City's investments in the pool have been based on the pool's share price. The City's amounts included in the pool are reported at the fair value of its position in the pool, which approximates the value of the shares of amortized cost.

The bank balance at June 30, 2020 totaled \$3,166,587.02

The LGIP balance at June 30, 2020 totaled \$13,728,896.09

NOTE D – RESTRICTED ASSETS

Certain proprietary fund assets are restricted for construction funded through long-term debt and federal grant revenues. Net position restricted for debt service includes the excess of assets over certain liabilities restricted for the debt service on bonds. Governmental funds report restricted assets for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service on long-term debt.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)

June 30, 2020

NOTE E- CHANGES IN CAPITAL ASSETS

	Balance at July 1	Additions	Reductions	Balance at June 30
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 731,768.56	\$ -	\$ -	\$ 731,768.56
Construction in progress	-	14,924.45	-	14,924.45
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 731,768.56	\$ 14,924.45	\$ -	\$ 746,693.01
Capital Assets Being Depreciated:				
Buildings	\$ 3,329,319.25	\$ 7,200.54	\$ -	\$ 3,336,519.79
Improvements, other than buildings	4,674,955.15	79,985.85	-	4,754,941.00
Infrastructure	2,755,843.45	-	-	2,755,843.45
Equipment	5,123,992.10	165,964.79	205,416.26	5,084,540.63
Total capital assets being depreciated	\$ 15,884,109.95	\$ 253,151.18	\$ 205,416.26	\$ 15,931,844.87
Less Accumulated Depreciation for:				
Buildings	\$ (1,877,094.94)	\$ (70,244.15)	\$ -	\$ (1,947,339.09)
Improvements, other than buildings	(2,221,160.93)	(82,442.21)	-	(2,303,603.14)
Infrastructure	(296,921.48)	(55,269.47)	-	(352,190.95)
Equipment	(3,616,603.91)	(283,657.19)	(209,012.82)	(3,691,248.28)
Total accumulated depreciation	\$ (8,011,781.26)	\$ (491,613.02)	\$ (209,012.82)	\$ (8,294,381.46)
Total capital assets being depreciated, net	\$ 7,872,328.69	\$ (238,461.84)	\$ (3,596.56)	\$ 7,637,463.41
Governmental activities : capital assets, net	\$ 8,604,097.25	\$ (223,537.39)	\$ (3,596.56)	\$ 8,384,156.42
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 265,412.11	\$ -	\$ -	\$ 265,412.11
Construction in progress	435,975.57	426,315.95	720,223.53	142,067.99
Total capital assets not being depreciated	\$ 701,387.68	\$ 426,315.95	\$ 720,223.53	\$ 407,480.10
Capital Assets Being Depreciated:				
Structures and improvements	\$ 5,615,071.45	\$ -	\$ -	\$ 5,615,071.45
Transportation equipment	2,537,274.76	151,099.81	45,282.28	2,643,092.29
Plant and improvements	38,264,269.72	948,081.72	281,313.28	38,931,038.16
Furniture and equipment	346,458.81	-	-	346,458.81
Machinery and equipment	603,848.54	2,458.00	3,343.94	602,962.60
Total capital assets being depreciated	\$ 47,366,923.28	\$ 1,101,639.53	\$ 329,939.50	\$ 48,138,623.31
Less Accumulated Depreciation for:				
Structures and improvements	\$ (3,347,866.17)	\$ (139,061.55)	\$ -	\$ (3,486,927.72)
Transportation equipment	(1,923,313.77)	(163,912.15)	(45,282.31)	(2,041,943.61)
Plant and improvements	(15,225,847.20)	(779,269.67)	(238,720.74)	(15,766,396.13)
Furniture and equipment	(298,711.51)	(6,706.52)	-	(305,418.03)
Machinery and equipment	(474,849.86)	(28,991.49)	(3,343.94)	(500,497.41)
Total accumulated depreciation	\$ (21,270,588.51)	\$ (1,117,941.38)	\$ (287,346.99)	\$ (22,101,182.90)
Total capital assets being depreciated, net	\$ 26,096,334.77	\$ (16,301.85)	\$ 42,592.51	\$ 26,037,440.41
Business-type activities : capital assets, net	\$ 26,797,722.45	\$ 410,014.10	\$ 762,816.04	\$ 26,444,920.51
CAPITAL ASSETS, NET	\$ 35,401,819.70	\$ 186,476.71	\$ 759,219.48	\$ 34,829,076.93

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE E (Cont'd):

Depreciation Expense

Depreciation expense was charged to functions of the City as follows:

<i>Governmental activities</i>		<i>Business-type activities</i>	
General government	\$ 14,887.74	Electric	\$ 367,273.57
Public safety	145,602.16	Water and sewer	<u>750,667.81</u>
Highways and streets	136,597.07		
Culture and recreation	120,600.40		<u>\$ 1,117,941.38</u>
Sanitation	<u>73,925.65</u>		
	<u>\$ 491,613.02</u>	Charged to depreciation expense	\$ 1,004,268.11
		Allocated to transportation expense	<u>113,673.27</u>
			<u>\$ 1,117,941.38</u>

CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2020 consisted of:

	<u>Actual to date</u>	<u>Remaining Commitment</u>
Business-type activities:		
2018 CDBG project	\$ 102,434.19	\$ 497,565.81
Wilson Sporting Goods lift station	35,022.91	437,977.09
Automatic Metering - Electric Department	<u>4,610.89</u>	<u>4,610.89</u>
	<u>\$ 142,067.99</u>	<u>\$ 940,153.79</u>
Governmental activities:		
Police evidence building	<u>\$ 14,924.45</u>	<u>\$ -</u>

The 2018 CDBG project is funded by CDBG funds and existing reserves

The Wilson Sporting Goods lift station is funded with ARC funds.

The electric department project will is being funded with existing funds.

The police evidence building is being built with existing funds.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE F- LONG-TERM DEBT

Bonds are issued to provide funds for the acquisition and construction of capital assets.
Changes in long-term indebtedness of City of Sparta consists of:

	<u>Amount at July 1</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount at June 30</u>	<u>Current Portion</u>
TML Bond Pool Note, 2017	\$ 171,100.00	-	\$ 32,000.00	\$ 139,100.00	\$ 33,100.00
General Obligation Bonds, 2001	42,710.55	-	4,472.99	38,237.56	4,752.87
Refunding Bonds, Series 2012A	498,238.60	-	162,158.60	336,080.00	165,939.50
Capital Outlay Notes, Series 2016	131,400.00	-	31,300.00	100,100.00	32,300.00
TOTAL	<u>\$ 843,449.15</u>	<u>\$ -</u>	<u>\$ 229,931.59</u>	\$ 613,517.56	\$236,092.37
Accrued vacation payable				159,798.85	159,798.85
				<u>\$ 773,316.41</u>	<u>\$ 395,891.22</u>

General long-term debt is liquidated by resources in the General and the Solid Waste funds.

Changes in long-term indebtedness of the enterprise funds consists of:

	<u>Amount at July 1</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount at June 30</u>	<u>Current Portion</u>
General Obligation Refunding Bonds, Series 2012A	\$ 687,761.40	\$ -	\$ 223,841.40	\$ 463,920.00	\$ 229,060.50
Water & Sewer Revenue Bonds, Series 2017	3,725,000.00	-	170,000.00	3,555,000.00	170,000.00
General Obligation Note, Series 2012B	286,000.00	-	93,000.00	193,000.00	95,000.00
Water and Sewer Revenue and Tax Bonds, Series 2011	1,486,411.25	-	27,618.72	1,458,792.53	28,343.68
TOTAL NOTES AND BONDS	<u>\$ 6,185,172.65</u>	<u>\$ -</u>	<u>\$ 514,460.12</u>	\$ 5,670,712.53	\$ 522,404.18
Unamortized premium				23,964.66	-
Advances from TVA for home weatherization loans				21,142.95	-
				<u>\$ 5,715,820.14</u>	<u>\$ 522,404.18</u>

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE F (Cont'd):

The aforementioned general obligation bonds and notes are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. The revenue bonds are secured by the revenue sources of the Water and Sewer fund.

All bonds and notes are secured by an irrevocable pledge of the full faith and credit of the City.

Additional debt disclosure:

At June 30, 2020, long-term indebtedness of City of Sparta consists of:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Payment</u>
General Obligation Bonds, Series 2001, (matures in 2027)	\$ 95,000.00	\$ 38,237.56	4.75%	annual
General Obligation Refunding Bonds, Series 2012A (matures 2022)	1,529,164.00	336,080.00	2.43%	annual
TML Bond Pool Note, 2017 (matures 2024)	231,833.00	139,100.00	3.40%	annual
Capital Outlay Note, Series 2016 (matures 2023)	218,413.00	<u>100,100.00</u>	3.23%	annual
TOTAL NOTES AND BONDS PAYABLE		\$ 613,517.56		
Accrued vacation		<u>159,798.85</u>		
		<u><u>\$ 773,316.41</u></u>		

At June 30, 2020, long-term indebtedness of the enterprise funds consists of:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Payment</u>
General Obligation Refunding Bonds, Series 2012A (matures 2022)	\$ 2,110,836.00	\$ 463,920.00	2.43%	annual
General Obligation Note, Series 2012B (matures 2022)	876,000.00	193,000.00	2.43%	annual
Water and Sewer, Series 2017 Bond	3,850,000.00	3,555,000.00	varies	annual
Water and Sewer Revenue and Tax Bond, Series 2011 (matures 2052)	1,590,000.00	1,458,792.53	2.625%	\$5,553.08 (monthly)
Unamortized premium		23,964.66		
Advances from TVA for home weatherization loans		<u>21,142.95</u>		
TOTAL BONDS AND NOTES PAYABLE		<u><u>\$ 5,715,820.14</u></u>		

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE F (Cont'd):

Debt service requirements to maturity:

A summary of the City of Sparta debt service requirements for principal and interest at June 30, 2020, is as follows:

<u>Year ending</u>				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$ 236,092.37	\$ 17,950.51	\$ 254,042.88	
2022	242,719.13	11,523.72	254,242.85	
2023	74,915.12	4,911.20	79,826.32	
2024	41,962.83	2,352.17	44,315.00	
2025	5,722.32	851.68	6,574.00	
2026-2028	12,105.79	953.36	13,059.15	
TOTAL	<u><u>\$ 613,517.56</u></u>	<u><u>\$ 38,542.64</u></u>	<u><u>\$ 652,060.20</u></u>	

The \$336,080.00 owed by the City of Sparta and the \$463,920.00 owed by Sparta Water and Sewer System is the balance remaining on the \$3.64 million General Obligation Refunding Bonds, Series 2012A. This money was borrowed on January 25, 2013 to refinance the 2006 and 2008 TML bond pool notes.

The \$193,000.00 is the balance of the \$876,000.00 General Obligation Note, Series 2012B, issued by Sparta Water and Sewer System for the purpose of refurbishing the water tanks.

On October 6, 2011, the City authorized the issuance of \$1,590,000 Water and Sewer Revenue and Tax Bond, Series 2011. The Bond is issued to finance the construction of sewer system improvements and bears interest at the rate of 2.625%. The unpaid balance as of June 30, 2020 was \$1,458,792.53

During the year ended June 30, 2019, the City issued \$3,725,000 in Water and Sewer Revenue Bonds, Series 2017, for water plant improvements. The interest rate varies between 1.8% and 3.25%. The unpaid balance as of June 30, 2020 is \$3,555,000.00.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE F (Cont'd):

The \$100,100.00 is the balance of the \$218,413.00 Capital Outlay Note, Series 2016, issued by the City of Sparta for the purpose of purchasing a garbage truck.

The \$139,100.00 is the balance of the \$231,833.00 TML Bond Pool Note, 2017, issued by the City of Sparta for the purpose of purchasing a garbage truck. The first payment is to be made after year-end.

The \$38,237.56 is the balance of the \$95,000.00 General Obligation Bonds, Series 2001, issued by the City of Sparta for the Senior Citizens building.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

A schedule showing maturities and debt-service requirements of Sparta Water and Sewer System's outstanding bonds and interest bearing notes is included in the supplementary information section of this report.

Amounts required to amortize long-term debt outstanding as of June 30, 2020:

<u>Year ending</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 522,404.18	\$ 152,191.48	\$ 674,595.66
2022	536,947.23	140,172.76	677,119.99
2023	209,851.28	128,170.72	338,022.00
2024	210,634.86	123,967.14	334,602.00
2025	216,439.03	119,562.97	336,002.00
2026-2030	1,165,016.12	517,543.88	1,682,560.00
2031-2035	1,348,533.44	334,589.06	1,683,122.50
2036-2040	735,303.75	137,293.75	872,597.50
2041-2045	250,777.02	82,407.98	333,185.00
2046-2050	285,465.43	47,719.57	333,185.00
2051-2054	189,340.19	10,011.77	199,351.96
TOTAL	\$ 5,670,712.53	\$ 1,793,631.08	\$ 7,464,343.61
Unamortized premium	23,964.66		
	<u><u>\$ 5,694,677.19</u></u>		

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

Note G – JOINT VENTURE

The Upper Cumberland Regional Airport was established as a joint venture between Putnam County, White County, the City of Cookeville and the City of Sparta. The Upper Cumberland Regional Airport operates the regional airport for the two county area. The seven-member board of the Airport is composed of one member appointed by each participating government; chief executive officer of one of the participating governments in each county on a two year rotating basis; and a representative from the pilot's committee who is selected by the pilot's committee, subject to the approval of the other members of the board. Each participant retains a 25% ownership in the Airport; however, they do not retain an equity interest in the Airport. During the year ended June 30, 2020, the City appropriated an operating subsidy of \$28,000 to the Airport and \$25,000 for capital improvements. Complete financial statements for the Upper Cumberland Regional Airport can be obtained from the Upper Cumberland Regional Airport's administrative office at 750 Airport Road, Sparta, Tennessee 38583, or from the City Administrator's office at the Sparta City Hall.

Note H - JOINTLY GOVERNED ORGANIZATION

The City and the White County Board of Commissioners participate in The White County 911 Emergency Communications District, a component unit of White County, Tennessee (County). Any short fall between the District's budgeted revenues and operating expenses are subsidized by the City and County, 25% and 75%, respectively. The Board of Directors of the District is appointed by the City and County in the same proportion as each entity contributes to the funding of the District. During the year ended June 30, 2020, the City contributed \$64,954.00 to the operations of the District.

Note I – RELATED ORGANIZATION

Sparta Housing Authority – The Board of the Sparta Housing Authority is appointed by the Mayor and Board of Aldermen, but the City provides no funding and has no means to impose will upon the operations of the Authority.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - (Cont'd):

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

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	41
Active employees	<u>80</u>
Total employees	<u><u>179</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Sparta makes employer contributions at a rate, in excess of the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for Sparta were \$537,329 based on a rate of 14.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Sparta's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

Sparta's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - (Cont'd):

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

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

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

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - (Cont'd):

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 Sparta will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - (Cont'd):

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 06/30/18	\$ 15,261,294	\$ 15,077,563	\$ 183,731
Changes for the year:			
Service cost	\$ 312,238	\$ -	\$ 312,238
Interest	1,098,135	-	1,098,135
Differences between expected and actual experience	126,597	-	126,597
Changes in assumptions	-	-	-
Contributions - employer	-	492,813	(492,813)
Contributions - employees	-	176,006	(176,006)
Net investment income	-	1,115,520	(1,115,520)
Benefit payments, including refunds of employee contributions	(853,694)	(853,694)	-
Administrative expense	-	(7,217)	7,217
Net changes	<u>683,276</u>	<u>923,428</u>	<u>(240,152)</u>
Balance at 06/30/19	<u><u>\$ 15,944,570</u></u>	<u><u>\$ 16,000,991</u></u>	<u><u>\$ (56,421)</u></u>

Sensitivity of the net pension liability (asset) to changes in the discount rate.

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - (Cont'd):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Sparta's net pension liability (asset)	\$ 1,991,741	\$ (56,421)	\$ (1,761,758)

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

Pension expense. For the year ended June 30, 2020, Sparta recognized pension expense of \$342,976.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,418	\$ 240,342
Net difference between projected and actual earnings on pension plan investments	-	184,639
Changes in assumptions	243,393	-
Contributions subsequent to the measurement date of June 30, 2018	<u>537,329</u>	<u>(not applicable)</u>
Total	<u><u>\$ 978,140</u></u>	<u><u>\$ 424,981</u></u>

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

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE J - (Cont'd):

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:

2021	\$ 76,850
2022	(85,391)
2023	36,208
2024	(32,939)
2025	21,100
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2020, Sparta reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

NOTE K - MULTIPLE-EMPLOYER DEFINED CONTRIBUTIONS PLANS

Tennessee State Deferred Compensation Plan and Trust - 457(b)

Participation in this plan is optional and is 100% funded by participant's elective contributions. The Board does not make employer contributions to this plan. Plan benefits are dependent solely on amounts contributed by participants plus investment earnings. Employees are eligible to participate on the first day of employment.

At June 30, 2020 there is 19 active participants. During the year participant contributions amounted to \$67,737.

NOTE L - LITIGATION

There were no lawsuits pending in which the City is involved, which could result in any liability to the City.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE M- RISK FINANCING ACTIVITIES

The City's risks of loss relating to general liability, property and casualty and workers' compensation are covered by participation in a public entity risk pool. The City joined the Tennessee Municipal League Risk Management Pool, which is a public entity risk pool established by the Tennessee Municipal League, an association of member municipalities. The City pays an annual premium to the TML Pool for its insurance coverage. The creation of the TML Pool provides for it to be self-sustaining through member premiums.

The City continues to carry commercial insurance for surety bond coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N - SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES

Due from:

	Electric Fund	Water and Sewer Fund	Solid Waste	Total
<u>Due to:</u>				
General fund	\$ 27,006.34	\$ 49,177.12	\$ 211,917.06	\$ 288,100.52
Solid Waste	45,197.00	-	-	45,197.00
Water & Sewer	374,573.64	-	-	374,573.64
	<u>\$ 446,776.98</u>	<u>\$ 49,177.12</u>	<u>\$ 211,917.06</u>	<u>\$ 707,871.16</u>

Interfund receivables and payables are the result of transactions, including the receipt of grant money, purchase or construction of capital assets, collection of customer payments, and payment of trade accounts payable, which are paid for or received in one fund on behalf of a different fund.

CITY OF SPARTA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2020

NOTE O – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, were as follows:

Transfer from:

	General	Electric	Water & Sewer	Solid Waste	Total
<u>Transfer to:</u>					
General	\$ -	\$ 105,715.68	\$ 31,999.92	\$ -	\$ 137,715.60
Liberty Square	20,000.00	-	-	-	20,000.00
Solid Waste	75,000.00				75,000.00
Equipment	81,043.58	-	-	32,500.00	113,543.58
Capital Project	65,138.20	-	-	-	65,138.20
Debt Service	139,379.46	-	-	108,247.96	247,627.42
TOTAL	\$ 380,561.24	\$ 105,715.68	\$ 31,999.92	\$ 140,747.96	\$ 659,024.80

Transfers between funds are made for payments in lieu of tax from the proprietary funds and to move unrestricted general fund revenues to finance programs that the City accounts for in other funds, such as equipment purchases and solid waste expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPARTA, TENNESSEE
SCHEDULES OF CHANGES IN SPARTA'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 284,379	\$ 275,523	\$ 263,138	\$ 286,348	\$ 288,950	\$ 312,238
Interest	917,743	967,598	1,004,997	1,031,950	1,078,267	1,098,135
Changes in benefit terms	-	-	-	-	-	-
Differences between actual & expected experience	207,860	59,413	(143,028)	104,642	(289,000)	126,597
Change of assumptions	-	-	-	486,786	-	-
Benefit payments including refunds of employee contributions	(670,898)	(801,900)	(781,079)	(796,798)	(801,241)	(853,694)
Net change in total pension liability	\$ 739,084	\$ 500,634	\$ 344,028	\$ 1,112,928	\$ 276,976	\$ 683,276
Total pension liability - beginning	12,287,644	13,026,728	13,527,362	13,871,390	14,984,318	15,261,294
Total pension liability - ending (a)	\$ 13,026,728	\$ 13,527,362	\$ 13,871,390	\$ 14,984,318	\$ 15,261,294	\$ 15,944,570
Plan fiduciary net position						
Contributions - employer	\$ 382,840	\$ 364,614	\$ 366,987	\$ 420,653	\$ 465,694	\$ 492,813
Contributions - employee	165,559	161,764	183,901	161,790	166,320	176,006
Net investment income	1,809,764	385,678	335,533	1,445,579	1,162,382	1,115,520
Benefit payments, including refunds of employee contributions	(670,898)	(801,900)	(781,079)	(796,798)	(801,241)	(853,694)
Administrative expense	(3,539)	(4,142)	(6,121)	(6,637)	(7,645)	(7,217)
Net change in plan fiduciary net position	\$ 1,683,726	\$ 106,014	\$ 99,221	\$ 1,224,587	\$ 985,510	\$ 923,428
Plan fiduciary net position - beginning	10,978,505	12,662,231	12,768,245	12,867,466	14,092,053	15,077,563
Plan fiduciary net position - ending (b)	\$ 12,662,231	\$ 12,768,245	\$ 12,867,466	\$ 14,092,053	\$ 15,077,563	\$ 16,000,991
Net Pension Liability (asset) - ending (a) - (b)	\$ 364,497	\$ 759,117	\$ 1,003,924	\$ 892,265	\$ 183,731	\$ (56,421)
Plan fiduciary net position as a percentage of total pension liability	97.20%	94.39%	92.76%	94.05%	98.80%	100.35%
Covered-employee payroll	\$ 3,306,048	\$ 3,235,257	\$ 3,256,312	\$ 3,235,792	\$ 3,326,385	\$ 3,520,097
Net pension liability (asset) as a percentage of covered-employee payroll	11.03%	23.46%	30.83%	27.57%	5.52%	-1.60%

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

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementations of GASB 68.

CITY OF SPARTA, TENNESSEE
SCHEDULE OF SPARTA'S CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 382,840	\$ 364,758	\$ 366,987	\$ 364,674	\$ 432,763	\$ 457,965	\$ 441,761
Contributions in relation to the actuarially determined contribution	<u>382,840</u>	<u>364,758</u>	<u>366,987</u>	<u>420,653</u>	<u>465,695</u>	<u>492,814</u>	<u>537,329</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (55,979)	\$ (32,932)	\$ (34,849)	\$ (95,568)
 Covered-employee payroll	 \$ 3,306,048	 \$ 3,236,539	 \$ 3,256,312	 \$ 3,235,792	 \$ 3,326,390	 \$ 3,520,103	 \$ 3,838,066
Contributions as a percentage of covered-employee payroll	11.58%	11.27%	11.27%	13.00%	14.00%	14.00%	14.00%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementations of GASB 68.

CITY OF SPARTA, TENNESSEE

Notes to Schedule

Valuation date : Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

SUPPLEMENTARY INFORMATION

CITY OF SPARTA, TENNESSEE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	State Street Aid Fund	Solid Waste Fund	Equipment Fund	Drug Fund	Liberty Square Fund	Industrial Development Fund	Total Special Revenue
<u>ASSETS</u>							
Cash	\$ 101,148.45	\$ 186,577.29	\$ 35,335.60	\$ 84,352.39	\$ 28,517.37	\$ 607,313.36	\$ 1,043,244.46
Accounts receivable	-	909.13	-	-	-	-	909.13
Due from other governments	29,890.93	-	-	-	-	-	29,890.93
Due from other funds	-	45,197.00	-	-	-	-	45,197.00
	<u>\$ 131,039.38</u>	<u>\$ 232,683.42</u>	<u>\$ 35,335.60</u>	<u>\$ 84,352.39</u>	<u>\$ 28,517.37</u>	<u>\$ 607,313.36</u>	<u>\$ 1,119,241.52</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ 9,788.07	\$ 355.75	\$ -	\$ 19,285.23	\$ -	\$ 957.50	\$ 30,386.55
Due to other funds	-	211,917.06	-	-	-	-	211,917.06
TOTAL LIABILITIES	\$ 9,788.07	\$ 212,272.81	\$ -	\$ 19,285.23	\$ -	\$ 957.50	\$ 242,303.61
Fund balance:							
Restricted	\$ 121,251.31	\$ -	\$ -	\$ 65,067.16	\$ -	\$ -	\$ 186,318.47
Committed	-	20,410.61	-	-	-	606,355.86	626,766.47
Assigned	-	-	35,335.60	-	28,517.37	-	63,852.97
TOTAL FUND EQUITY	\$ 121,251.31	\$ 20,410.61	\$ 35,335.60	\$ 65,067.16	\$ 28,517.37	\$ 606,355.86	\$ 876,937.91
	<u>\$ 131,039.38</u>	<u>\$ 232,683.42</u>	<u>\$ 35,335.60</u>	<u>\$ 84,352.39</u>	<u>\$ 28,517.37</u>	<u>\$ 607,313.36</u>	<u>\$ 1,119,241.52</u>

CITY OF SPARTA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2020

	SPECIAL REVENUE FUNDS						
	State Street Aid Fund	Solid Waste Fund	Equipment Fund	Drug Fund	Liberty Square Fund	Industrial Development Fund	Total Special Revenue
Revenues:							
Intergovernmental revenues	\$ 180,216.22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,216.22
Interest income	289.16	-	38.40	341.25	-	9,513.67	10,182.48
Services	-	554,355.00	-	-	-	-	554,355.00
Fines and costs	-	2,410.00	-	12,774.76	-	-	15,184.76
Contributions	-	-	-	-	16,175.00	-	16,175.00
TOTAL REVENUES	\$ 180,505.38	\$ 556,765.00	\$ 38.40	\$ 13,116.01	\$ 16,175.00	\$ 9,513.67	\$ 776,113.46
Expenditures:							
Street lights	\$ 137,681.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,681.90
Street equipment	12,660.21	-	47,318.58	-	-	-	59,978.79
Economic development and assistance	-	-	-	-	-	15,207.50	15,207.50
Salaries and related benefits	-	336,177.03	-	-	-	-	336,177.03
Utilities	-	7,185.11	-	-	-	-	7,185.11
Repairs and maintenance	25,584.23	43,884.64	-	-	-	-	69,468.87
Gas, oil and diesel	-	26,979.22	-	-	-	-	26,979.22
Police	-	-	33,725.00	23,902.38	-	-	57,627.38
Public relations	-	-	-	-	33,362.18	14,503.32	47,865.50
Sanitation equipment	-	39,051.81	32,500.00	-	-	-	71,551.81
Miscellaneous	-	13,709.78	-	-	-	-	13,709.78
TOTAL EXPENDITURES	\$ 175,926.34	\$ 466,987.59	\$ 113,543.58	\$ 23,902.38	\$ 33,362.18	\$ 29,710.82	\$ 843,432.89
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 4,579.04	\$ 89,777.41	\$ (113,505.18)	\$ (10,786.37)	\$ (17,187.18)	\$ (20,197.15)	\$ (67,319.43)
Net operating transfers	-	(65,747.96)	113,543.58	-	20,000.00	-	67,795.62
INCREASE (DECREASE) IN FUND BALANCE	\$ 4,579.04	\$ 24,029.45	\$ 38.40	\$ (10,786.37)	\$ 2,812.82	\$ (20,197.15)	\$ 476.19
Fund balance at July 1, 2019	116,672.27	(3,618.84)	35,297.20	75,853.53	25,704.55	626,553.01	876,461.72
FUND BALANCE AT JUNE 30, 2020	\$ 121,251.31	\$ 20,410.61	\$ 35,335.60	\$ 65,067.16	\$ 28,517.37	\$ 606,355.86	\$ 876,937.91

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Interest income	\$ -	\$ -	\$ 1,784	\$ 1,784
Expenditures:				
Retirement of bonds	\$ 569,919	\$ 569,919	\$ 225,459	\$ 344,460
Interest on bonds	356,184	356,184	22,169	334,015
TOTAL EXPENDITURES	\$ 926,103	\$ 926,103	\$ 247,627	\$ 678,476
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ (926,103)	\$ (926,103)	\$ (245,844)	\$ 680,259
Operating transfer	926,103	926,103	247,627	(678,476)
CHANGE IN				
FUND BALANCE	\$ -	\$ -	\$ 1,784	\$ 1,784

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - STATE STREET AID FUND
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Intergovernmental revenue	\$ 191,768	\$ 191,768	\$ 180,216	\$ (11,552)
Interest earnings	<u>-</u>	<u>-</u>	<u>289</u>	<u>289</u>
TOTAL REVENUES	\$ 191,768	\$ 191,768	\$ 180,505	\$ (11,263)
Expenditures:				
Street lighting	\$ 151,250	\$ 151,250	\$ 137,682	\$ 13,568
Street repairs	<u>40,518</u>	<u>40,518</u>	<u>38,244</u>	<u>2,274</u>
TOTAL EXPENDITURES	<u>191,768</u>	<u>191,768</u>	<u>175,926</u>	<u>15,842</u>
CHANGE IN				
FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,579</u></u>	<u><u>\$ 4,579</u></u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - SOLID WASTE FUND
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Refuse collection	\$ 540,000	\$ 608,000	\$ 554,355	\$ (53,645)
Other	-	-	2,410	2,410
TOTAL REVENUES	<u>\$ 540,000</u>	<u>\$ 608,000</u>	<u>\$ 556,765</u>	<u>\$ (51,235)</u>
Expenditures:				-
Solid waste expenses	459,753	499,753	466,988	32,765
TOTAL EXPENDITURES	<u>459,753</u>	<u>499,753</u>	<u>466,988</u>	<u>32,765</u>
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ 80,247	\$ 108,247	\$ 89,777	\$ (18,470)
Operating transfer in		50,000	75,000	25,000
Operating transfer out	<u>(108,247)</u>	<u>(108,274)</u>	<u>(140,748)</u>	<u>(32,474)</u>
CHANGE IN				
FUND BALANCE	<u>\$ (28,000)</u>	<u>\$ 49,973</u>	<u>\$ 24,029</u>	<u>\$ (25,944)</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - DRUG FUND
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Interest earnings	\$ -	\$ -	\$ 341	\$ 341
Fines	5,000	5,000	12,775	7,775
TOTAL REVENUES	\$ 5,000	\$ 5,000	\$ 13,116	\$ 8,116
Special Investigations funds	5,000	35,000	23,902	11,098
 CHANGE IN				
FUND BALANCE	\$ -	\$ (30,000)	\$ (10,786)	\$ 19,214

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - LIBERTY SQUARE FUND
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Contributions and donations	\$ 15,000	\$ 15,000	\$ 16,175	\$ 1,175
Expenditures:				
Public Relations	\$ 35,000	\$ 35,000	\$ 33,362	\$ 1,638
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ (20,000)	\$ (20,000)	\$ (17,187)	\$ 2,813
Operating transfers in	20,000	20,000	20,000	-
CHANGE IN				
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,813</u>	<u>\$ 2,813</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - INDUSTRIAL DEVELOPMENT FUND
Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive (Negative)</u>
Revenues:				
Interest earnings	\$ 1,500	\$ 15,000	\$ 9,514	\$ (5,486)
Expenditures:				
Economic development and assistance	\$ 23,630	\$ 23,630	\$ 15,208	\$ 8,423
Gateway monument	-	27,510	14,503	13,007
TOTAL EXPENDITURES	<u>23,630</u>	<u>51,140</u>	<u>29,711</u>	<u>21,429</u>
CHANGE IN FUND				
BALANCE	<u>\$ (22,130)</u>	<u>\$ (36,140)</u>	<u>\$ (20,197)</u>	<u>\$ 15,943</u>

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - EQUIPMENT FUND
Year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
			(See Note A)	Positive (Negative)
Revenue: -				
Interest Income	\$ -	\$ -	\$ 38	\$ 38
Disposal of assets	-	-	-	-
TOTAL REVENUES	\$ -		\$ 38	\$ 38
Expenditures:				
Transportation Equipment and Machinery	108,200	148,200	113,544	34,656
EXCESS OF EXPENDITURES OVER REVENUES	\$ (108,200)	\$ (148,200)	\$ (113,505)	\$ 34,695
Operating transfer in	148,200	148,200	113,544	(34,656)
CHANGE IN FUND BALANCE	\$ 40,000	\$ -	\$ 38	\$ 38

CITY OF SPARTA, TENNESSEE
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECT FUND
Year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
			(See Note A)	Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Paved streets	\$ 50,000	\$ 50,000	\$ 36,111	\$ 13,889
Sidewalks and crosswalks	50,000	50,000	10,327	39,673
Other public works projects	80,000	530,000		530,000
Roof at garage	25,000	25,000	18,700	6,300
TOTAL EXPENDITURES	\$ 205,000	\$ 655,000	\$ 65,138	\$ 589,862
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ (205,000)	\$ (655,000)	\$ (65,138)	\$ (589,862)
Operating transfer in	205,000	205,000	65,138	139,862
CHANGE IN				
FUND BALANCE	\$ -	\$ (450,000)	\$ (0)	\$ (450,000)

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
Governmental Activities									
<u>BONDS PAYABLE</u>									
<u>Payable through the general fund</u>									
2001 General Obligation Bonds	\$ 95,000.00	4.75%	02/27/02	02/27/27	\$ 42,710.55	\$ -	\$ 4,472.99	\$ -	\$ 38,237.56
<u>Payable through the debt service fund</u>									
2012A General Obligation Bonds	\$ 1,592,164.00	2.43%	01/25/13	06/01/22	498,238.60	-	162,158.60	-	336,080.00
Total bonds payable, governmental activities					<u>\$ 540,949.15</u>	<u>\$ -</u>	<u>\$ 166,631.59</u>	<u>\$ -</u>	<u>\$ 374,317.56</u>
<u>NOTES PAYABLE</u>									
<u>Payable through the debt service fund</u>									
2016 Capital Outlay Note	\$ 218,413.00	3.23%	06/28/16	06/01/23	\$ 131,400.00	\$ -	\$ 31,300.00	\$ -	\$ 100,100.00
2017 Tennessee Municipal Bond Fund	231,833.00	3.40%	03/15/17	03/01/24	171,100.00	-	32,000.00	-	139,100.00
Total notes payable, governmental activities					<u>\$ 302,500.00</u>	<u>\$ -</u>	<u>\$ 63,300.00</u>	<u>\$ -</u>	<u>\$ 239,200.00</u>
Business-Type Activities									
<u>BONDS PAYABLE</u>									
		1.800% -							
Water & Sewer Series 2017	\$ 3,850,000.00	3.250%	03/31/17	06/01/37	\$ 3,725,000.00	\$ -	\$ 170,000.00	\$ -	\$ 3,555,000.00
General Obligation Refunding Bonds	2,110,836.00	2.430%	01/25/13	06/01/22	687,761.40	-	223,841.40	-	463,920.00
General Obligation Bonds	876,000.00	2.430%	01/25/13	06/01/22	286,000.00	-	93,000.00	-	193,000.00
Water & Sewer Series 2011	1,590,000.00	2.625%	12/09/14	12/09/52	1,486,411.25	-	27,618.72	-	1,458,792.53
Total bonds, businesss-type activities					<u>\$ 6,185,172.65</u>	<u>\$ -</u>	<u>\$ 514,460.12</u>	<u>\$ -</u>	<u>\$ 5,670,712.53</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year ended June 30, 2020

Federal Agency/Pass-through Agency/ State Program Title	Program/Cluster Name	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Federal Awards</u>				
U.S. Department of Housing and Urban Development Tennessee Department of Economic and Community Development	Community Development Block Grant	14.228	33004-96818	\$ 49,389.12
Appalachian Regional Commission Tennessee Department of Economic and Community Development	Appalachian Area Development	23.002	33004-45819	<u>35,022.91</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 84,412.03</u></u>
<u>State Financial Assistance</u>				
TN Department of Transportation		N/A	93LPLM-F3-021	\$ 5,654.16
Tourism Enhancement Grant		N/A	32601-19009	<u>42,500.00</u>
TOTAL STATE AWARDS				<u><u>\$ 48,154.16</u></u>
TOTAL FEDERAL AND STATE AWARDS				<u><u>\$ 132,566.19</u></u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Sparta under programs of the federal and state governments for the year ended June 30, 2020. The schedule is presented using the accrual basis of accounting.

NOTE 2 - INDIRECT COST RATE:

The City of Sparta has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF SPARTA, TENNESSEE
LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2020

Maturities During Year Ending June 30,	General Obligation 2/27/2002		General Obligation 1/25/2013		Capital Outlay Note 6/28/2016		TML Bond 3/15/2017		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 4,752.87	\$ 1,821.13	\$ 165,939.50	\$ 8,166.74	\$ 32,300.00	\$ 3,233.24	\$ 33,100.00	\$ 4,729.40	\$ 254,042.88
2022	4,978.63	1,595.37	170,140.50	4,134.41	33,400.00	2,189.94	34,200.00	3,604.00	254,242.85
2023	5,215.12	1,358.88			34,400.00	1,111.12	35,300.00	2,441.20	79,826.32
2024	5,462.83	1,111.17					36,500.00	1,241.00	44,315.00
2025	5,722.32	851.68							6,574.00
2026	5,994.13	579.87							6,574.00
2027	6,111.66	373.49							6,485.15
	<u>\$ 38,237.56</u>	<u>\$ 7,691.59</u>	<u>\$ 336,080.00</u>	<u>\$ 12,301.15</u>	<u>\$ 100,100.00</u>	<u>\$ 6,534.30</u>	<u>\$ 139,100.00</u>	<u>\$ 12,015.60</u>	<u>\$ 652,060.20</u>

CITY OF SPARTA, TENNESSEE
SPARTA WATER AND SEWER SYSTEM
BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
June 30, 2020

Maturities During Year Ending June 30,	General Obligation Note, Series 2012B 1/25/2013 \$876,000.00		General Obligation Note, Series 2012A 1/25/2013 \$2,110,836.00		Water and Sewer, Series 2017 3/30/2017 \$3,850,000.00		Water and Sewer Revenue and Tax Bond, Series 2011 12/9/2014 \$1,590,000.00		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 95,000.00	\$ 4,689.90	\$ 229,060.50	\$ 11,273.26	\$ 170,000.00	\$ 97,935.00	\$ 28,343.68	\$ 38,293.32	\$ 674,595.66
2022	98,000.00	2,381.40	234,859.50	5,707.09	175,000.00	94,535.00	29,087.73	37,549.27	677,119.99
2023					180,000.00	91,385.00	29,851.28	36,785.72	338,022.00
2024					180,000.00	87,965.00	30,634.86	36,002.14	334,602.00
2025					185,000.00	84,365.00	31,439.03	35,197.97	336,002.00
2026					190,000.00	80,480.00	32,264.29	34,372.71	337,117.00
2027					195,000.00	76,300.00	33,111.24	33,525.76	337,937.00
2028					195,000.00	71,815.00	33,980.41	32,656.59	333,452.00
2029					205,000.00	65,965.00	34,872.40	31,764.60	337,602.00
2030					210,000.00	59,815.00	35,787.78	30,849.22	336,452.00
2031					215,000.00	53,515.00	36,727.22	29,909.78	335,152.00
2032					225,000.00	46,527.50	37,691.33	28,945.67	338,164.50
2033					230,000.00	39,215.00	38,680.70	27,956.30	335,852.00
2034					240,000.00	31,740.00	39,696.09	26,940.91	338,377.00
2035					245,000.00	23,940.00	40,738.10	25,898.90	335,577.00
2036					255,000.00	16,222.50	41,807.47	24,829.53	337,859.50
2037					260,000.00	8,190.00	42,904.92	23,732.08	334,827.00
2038							44,031.20	22,605.80	66,637.00
2039							45,187.01	21,449.99	66,637.00
2040							46,373.15	20,263.85	66,637.00
2041							47,590.46	19,046.54	66,637.00
2042							48,839.71	17,797.29	66,637.00
2043							50,121.74	16,515.26	66,637.00
2044							51,437.45	15,199.55	66,637.00
2045							52,787.66	13,849.34	66,637.00
2046							54,173.34	12,463.66	66,637.00
2047							55,595.38	11,041.62	66,637.00
2048							57,054.76	9,582.24	66,637.00
2049							58,552.47	8,084.53	66,637.00
2050							60,089.48	6,547.52	66,637.00
2051							61,666.83	4,970.17	66,637.00
2052							63,285.57	3,351.43	66,637.00
2053							64,387.79	1,690.17	66,077.96
	<u>\$ 193,000.00</u>	<u>\$ 7,071.30</u>	<u>\$ 463,920.00</u>	<u>\$ 16,980.35</u>	<u>\$ 3,555,000.00</u>	<u>\$ 1,029,910.00</u>	<u>\$ 1,458,792.53</u>	<u>\$ 739,669.43</u>	<u>\$ 7,464,343.61</u>

CITY OF SPARTA, TENNESSEE
PROPERTY TAXES
Year ended June 30, 2020

Tax rates and taxes assessed for the ten most current years were:

<u>Year</u>	<u>Tax Rate</u>	<u>Tax Assessed</u>
2019	\$1.05	\$ 1,190,309
2018	\$1.05	1,185,187
2017	\$1.05	1,150,783
2016	\$1.05	1,158,368
2015	\$1.05	1,260,616
2014	\$1.05	1,119,149
2013	\$1.05	1,110,686
2012	\$1.05	1,131,242
2011	\$1.05	1,089,662
2010	\$1.05	1,082,881

A summary of changes in property taxes receivable during the year follows:

	<u>Balance at July 1</u>	<u>Assessment</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Balance at June 30</u>
2019	\$ -	\$ 1,190,309.00	\$ 1,148,240.00	\$ (428.00)	\$ 41,641.00
2018	69,942.00	-	57,907.00	(7.00)	12,028.00
2017	17,171.35	-	10,822.00	(380.88)	5,968.47
2016	5,219.00	-	3,870.00	-	1,349.00
2015	2,336.00	-	2,175.00	-	161.00
2014	1,466.00	-	1,466.00	-	-
2013	5.00	-	-	-	5.00
	<u>\$ 96,139.35</u>	<u>\$ 1,190,309.00</u>	<u>\$ 1,224,480.00</u>	<u>\$ (815.88)</u>	<u>\$ 61,152.47</u>
			Add 2020 assessed taxes		<u>1,241,436.00</u>
					<u><u>\$ 1,302,588.47</u></u>

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

2020 Taxes assessed	\$ 1,241,436.00
Estimated uncollectible taxes	<u>(6,207.18)</u>
DEFERRED PROPERTY TAX REVENUE	<u><u>\$ 1,235,228.82</u></u>



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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? Click to access definition
+ Click to add a comment

Water Audit Report for: **SPARTA WATER SYSTEM**

Reporting Year: **2020** **7/2019 - 6/2020**

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

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

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

WATER SUPPLIED

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

Volume from own sources:	+	?	9	826.832	MG/Yr
Water imported:	+	?		0.000	MG/Yr
Water exported:	+	?	9	397.985	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	Value:				
+	?	9	1.00%		MG/Yr
+	?				MG/Yr
+	?				MG/Yr

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

WATER SUPPLIED: **420.661** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	8	223.997	MG/Yr
Billed unmetered:	+	?		0.000	MG/Yr
Unbilled metered:	+	?	8	10.980	MG/Yr
Unbilled unmetered:	+	?		5.258	MG/Yr

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

AUTHORIZED CONSUMPTION: **240.235** MG/Yr

Click here: ?
for help using option
buttons below

Pcnt:	Value:	
1.25%		MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

Pcnt:	Value:	
0.25%		MG/Yr

5.00%		MG/Yr
0.25%		MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: + ? 1.052 MG/Yr

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

Customer metering inaccuracies:	+	?	8	12.367	MG/Yr
Systematic data handling errors:	+	?		0.560	MG/Yr

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

Apparent Losses: **13.979** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **166.446** MG/Yr

WATER LOSSES: **180.425** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **196.664** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	7	109.0	miles
Number of <u>active AND inactive</u> service connections:	+	?	7	3,330	
Service connection density:	?			31	conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: + ?

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

Average operating pressure: + ? 7 50.0 psi

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

COST DATA

Total annual cost of operating water system:	+	?	10	\$1,911,813	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	8	\$2.32	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	7	\$1.70	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 81 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

1: Unauthorized consumption

2: Systematic data handling errors

3: Volume from own sources



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
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Water Audit Report for: **SPARTA WATER SYSTEM**

Reporting Year: **2020** **7/2019 - 6/2020**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 ***

System Attributes:

Apparent Losses:	13.979	MG/Yr
+ Real Losses:	166.446	MG/Yr
= Water Losses:	180.425	MG/Yr

? Unavoidable Annual Real Losses (UARL): **19.88** MG/Yr

Annual cost of Apparent Losses: **\$32,431**

Annual cost of Real Losses: **\$283** 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: **46.8%**

Non-revenue water as percent by cost of operating system: **1.7%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **11.50** gallons/connection/day

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

Real Losses per length of main per day*: **4,183.65** gallons/mile/day

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

From Above, Real Losses = Current Annual Real Losses (CARL): **166.45** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **8.37**

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

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES
Year ended June 30, 2020

	General Fund	Special Revenue Funds
Taxes:		
Property taxes	\$ 1,223,356.00	\$ -
Interest and penalties on property taxes	18,853.15	-
In lieu of taxes - industry	40,194.50	-
Local option sales tax	2,495,423.22	-
Wholesale beer and liquor tax	325,802.62	-
Business tax	201,758.21	-
Cable TV franchise tax	56,485.12	-
TOTAL TAXES	\$ 4,361,872.82	\$ -
Licenses and permits:		
Beer & liquor licenses	\$ 4,850.75	\$ -
Building and related permits	17,324.00	-
TOTAL LICENSES OR PERMITS	\$ 22,174.75	\$ -
Intergovernmental revenue:		
TVA in lieu of taxes	\$ 62,749.85	\$ -
State sales tax	461,993.91	-
State income tax	8,690.56	-
State beer tax	2,375.41	-
State alcoholic beverage tax	2,977.15	-
State gasoline inspection fee	10,067.52	-
Salary supplement	15,200.00	-
Housing Authority in lieu of taxes	29,381.34	-
Corporate excise tax	96,714.31	-
State grants	49,265.27	-
Telecommunications sales tax	12,798.99	-
TML grant	1,378.97	-
State gasoline and motor fuel tax	-	92,288.83
State gasoline 1989	-	14,591.75
2017 Gas increases	-	46,298.08
State gasoline 3 cent	-	27,037.56
TOTAL INTERGOVERNMENTAL REVENUE	\$ 753,593.28	\$ 180,216.22

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
Charges for services:		
Special fire protection	\$ 17,273.00	\$ -
Civic Center and Park rental	14,265.00	-
Animal control charges	35.00	-
Accident reports	576.00	-
Sanitation	-	554,355.00
Clerks fee - Business tax	22,058.86	-
TOTAL CHARGES FOR SERVICES	\$ 54,207.86	\$ 554,355.00
 Fines and penalties	 \$ 59,073.16	 \$ 15,184.76
Interest	86,968.18	10,182.48
Contributions	2,336.00	16,175.00
Rent	5,115.00	-
Miscellaneous	32,378.84	-
TOTAL REVENUE	\$ 5,377,719.89	\$ 776,113.46

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND EXPENDITURES
Year ended June 30, 2020

	General Fund	Special Revenue Funds
BOARD OF ALDERMEN		
Salaries	\$ 1,800.00	\$ -
Per diem	3,925.00	-
Payroll taxes	438.17	-
Memberships and registration fees	150.00	-
Education and training	140.35	-
	<u>\$ 6,453.52</u>	<u>-</u>
CITY COURT		
Salaries	\$ 20,846.00	\$ -
Payroll taxes	1,594.82	-
Retirement	2,246.32	-
Fees	5,209.45	-
Contractual services	4,917.55	-
Other	161.88	-
	<u>\$ 34,976.02</u>	<u>\$ -</u>
MAYOR		
Salaries	\$ 3,600.00	\$ -
Payroll taxes	489.60	-
Public relations	4,099.50	-
Travel and automobile allowance	1,800.00	-
Other	1,000.03	-
	<u>\$ 10,989.13</u>	<u>\$ -</u>
BOARDS AND COMMISSIONS		
Per diem and travel	\$ 990.00	\$ -
Memberships, registration fees and tuition	200.00	-
	<u>\$ 1,190.00</u>	<u>-</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
CITY ADMINISTRATOR		
Salaries	\$ 67,280.76	\$ -
Payroll taxes	5,139.47	-
Retirement	9,049.35	-
Travel and automobile allowance	106.59	-
Office supplies and materials	2,250.19	-
Equipment rental	2,087.49	-
Machinery and equipment	8,720.62	-
Other	494.80	-
	<u>\$ 95,129.27</u>	<u>\$ -</u>
FINANCIAL ADMINISTRATION		
Contractual services	<u>\$ 7,138.66</u>	<u>\$ -</u>
CITY RECORDER		
Salaries	\$ 35,491.29	\$ -
Payroll taxes	2,709.84	-
Retirement	4,968.72	-
Travel	375.90	-
Other	320.77	-
	<u>\$ 43,866.52</u>	<u>\$ -</u>
CITY ATTORNEY		
Salaries	\$ 3,600.00	\$ -
Payroll taxes	275.40	-
Retirement	504.00	-
Legal services	1,622.00	-
	<u>\$ 6,001.40</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
GIS		
Salaries	\$ 4,937.88	\$ -
Payroll taxes	376.42	-
Retirement	691.30	-
Other	1,512.15	-
	<u>\$ 7,517.75</u>	<u>\$ -</u>
CITY HALL BUILDINGS		
Salaries	\$ 13,126.08	\$ -
Payroll taxes	1,004.26	-
Utilities	13,239.91	-
Repairs and maintenance	17,390.27	-
Janitorial and operating supplies	1,767.27	-
Contractual services	3,650.21	-
Other	250.00	-
	<u>\$ 50,428.00</u>	<u>\$ -</u>
GENERAL ELECTION	<u>\$ 11,879.71</u>	<u>\$ -</u>
INDUSTRIAL PARK		
Electric	<u>\$ 627.14</u>	<u>\$ -</u>
PUBLIC WORKS		
Salaries	\$ 21,430.21	\$ -
Payroll taxes	1,636.08	-
Retirement	3,000.24	-
Contracted services	306.25	-
Utilities	2,206.07	-
Uniforms	633.88	-
Vehicle expenses	1,212.55	-
Equipment	1,208.75	-
Consumable tools	3,047.23	-
Other	2,033.44	-
	<u>\$ 36,714.70</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
PLANNING		
Consultant fees	\$ 21,122.88	\$ -
GENERAL GOVERNMENT		
Insurance	\$ 132,195.96	\$ -
Telephone	25,617.29	-
Auditing	8,000.00	-
Public relations	495.99	-
Postage	2,019.08	-
Printing and stationary	265.26	-
Publication of documents	4,293.50	-
Fees	3,139.46	-
Other	12,629.43	-
	<u>\$ 188,655.97</u>	<u>\$ -</u>
POLICE		
Salaries	\$ 765,147.23	\$ -
Payroll taxes	58,477.33	-
Retirement	106,738.82	-
Education and training	523.50	-
Utilities	8,490.53	-
Repairs and maintenance	29,171.60	-
Travel	2,166.03	-
Supplies	13,233.21	19,285.23
Uniforms	10,112.54	-
Fire arm supplies	2,883.71	-
Gasoline and oil	24,863.64	-
Vehicle repairs	2,667.96	-
Contractual services	10,452.10	-
Machinery and equipment	8,113.35	38,342.15
Public relations	1,427.12	-
Radio and TV services	3,141.89	-
Telephone	5,712.00	-
Other	4,466.68	-
	<u>\$ 1,057,789.24</u>	<u>\$ 57,627.38</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
TRAFFIC CONTROL		
Utilities	\$ 1,695.18	\$ -
Contractual services	1,100.00	-
Operating supplies	1,809.00	-
	<u>\$ 4,604.18</u>	<u>\$ -</u>
COMMUNICATIONS SERVICES		
White County 911 Emergency Communications District	<u>\$ 69,954.00</u>	<u>\$ -</u>
FIRE PROTECTION		
Salaries	\$ 283,034.17	\$ -
Payroll taxes	20,989.30	-
Retirement	39,624.75	-
Volunteer firemen	13,000.00	-
Utilities	16,323.88	-
Repairs and maintenance	43,631.60	-
Supplies	10,482.29	-
Travel	3,580.66	-
Gasoline, oil and diesel fuel	6,653.85	-
Vehicle repairs	2,673.17	-
Uniforms	2,906.99	-
Machinery and equipment	4,108.74	-
Education and training	1,157.05	-
Insurance	11,500.00	-
Contractual services	8,806.50	-
Other	3,344.29	-
	<u>\$ 471,817.24</u>	<u>\$ -</u>
PROTECTIVE INSPECTION		
Salaries	\$ 58,196.99	\$ -
Payroll taxes	4,446.71	-
Retirement	8,147.55	-
Vehicle expense	1,945.47	-
Other	1,972.99	-
	<u>\$ 74,709.71</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
RESCUE SQUAD		
Donation	\$ 3,300.00	\$ -
HIGHWAYS AND STREETS		
Salaries	\$ 418,287.39	\$ -
Payroll taxes	31,961.75	-
Retirement	57,845.22	-
Contracted services	264.00	-
Utilities	6,197.47	-
Repairs and maintenance	33,396.15	25,584.23
Gas, oil and diesel fuel	18,995.80	-
Vehicle repair	18,643.04	-
Supplies	38,623.24	-
Uniforms	4,378.09	-
Culverts, stone, salt and asphalt	16,996.88	-
Sealing and striping	3,791.05	-
Machinery and equipment	32,399.21	59,978.79
Street lights	-	137,681.90
Other	1,146.43	-
	<u>\$ 682,925.72</u>	<u>\$ 223,244.92</u>
SANITATION		
Salaries	\$ -	\$ 236,027.06
Payroll taxes	-	17,998.50
Retirement	-	33,043.68
Utilities	-	7,185.11
Supplies	-	5,732.83
Gas, oil and diesel fuel	-	26,979.22
Vehicle repairs and maintenance	-	40,582.08
Repairs and maintenance	-	18,759.66
Fees	-	1,946.00
Employee insurance	-	49,107.79
Uniforms	-	1,902.84
Machinery and equipment	-	56,037.75
Other	-	4,185.07
	<u>\$ -</u>	<u>\$ 499,487.59</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
ANIMAL CONTROL		
Salaries	\$ 28,441.62	\$ -
Payroll taxes	2,175.73	-
Retirement	3,981.80	-
Utilities	2,636.20	-
Veterinarian expense	170.00	-
Vehicle expense	1,735.67	-
Other	1,104.24	-
	<u>\$ 40,245.26</u>	<u>\$ -</u>
DIRECT ASSISTANCE		
White County Chamber of Commerce	\$ 30,000.00	\$ -
Pacesetters	8,000.00	-
White County Library	6,000.00	-
White County Senior Citizens Center	11,916.00	-
Sparta YMCA	5,000.00	-
White County Schools	1,900.00	-
Others	13,479.24	-
	<u>\$ 76,295.24</u>	<u>\$ -</u>
CIVIC CENTER		
Utilities	\$ 9,047.19	\$ -
Contracted services	6,565.60	-
Tables	2,418.72	-
Repairs and maintenance	4,714.90	-
Supplies	803.35	-
Gas, oil and diesel	975.09	-
Other	540.81	-
	<u>\$ 25,065.66</u>	<u>\$ -</u>
OLDHAM'S THEATER		
Utilities	\$ 6,034.10	\$ -
Repairs and maintenance	1,420.43	-
Contract services	750.00	-
Supplies	833.13	-
	<u>\$ 9,037.66</u>	<u>\$ -</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
LITTLE LEAGUE BALL PARKS		
Utilities	\$ 4,455.96	\$ -
SWIMMING POOL		
Utilities	\$ 27,068.44	\$ -
Repairs and maintenance	6,843.83	-
Supplies	2,226.78	-
Other	277.72	-
	<u>\$ 36,416.77</u>	<u>\$ -</u>
LIBERTY SQUARE		
Public relations	\$ -	\$ 33,362.18
SOCKHOP		
Contracted services	\$ 97.30	\$ -
AMPHITHEATER CONCERTS		
Contracted services	\$ 4,054.00	\$ -
Other	419.00	-
	<u>\$ 4,473.00</u>	<u>\$ -</u>
PARKS		
Landscaping	\$ 1,697.50	\$ -
Utilities	17,086.71	-
Repairs and maintenance	11,624.58	-
Sign parts and supplies	79.99	-
Benches	9,376.87	-
Supplies	2,700.13	-
	<u>\$ 42,565.78</u>	<u>\$ -</u>
ECONOMIC DEVELOPMENT		
Highland Initiative	\$ -	\$ 10,000.00
Gateway monument	-	14,503.32
Engineering fees	1,330.00	5,207.50
	<u>\$ 1,330.00</u>	<u>\$ 29,710.82</u>

CITY OF SPARTA, TENNESSEE
SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND
EXPENDITURES (CONTINUED)
Year ended June 30, 2020

	General Fund	Special Revenue Funds
WEED AND MOSQUITO CONTROL		
Operating supplies	\$ 2,100.00	\$ -
INSURANCE		
Employees health insurance	\$ 329,701.00	\$ -
MUNICIPAL AIRPORT		
Contributions to Upper Cumberland Regional Airport - Joint Venture	\$ 53,000.00	\$ -
CAPITAL OUTLAY		
Kayak ramp and restrooms	\$ 47,966.85	\$ -
Caboose	2,300.89	-
	\$ 50,267.74	\$ -
CEMETERY		
Contractual services	\$ 3,700.00	\$ -
DEBT SERVICE		
Principal	\$ 4,472.99	\$ -
Interest	2,101.01	-
	\$ 6,574.00	\$ -
TOTAL EXPENDITURES	\$ 3,573,116.13	\$ 843,432.89

**CITY OF SPARTA, TENNESSEE
SCHEDULE OF UTILITY RATES
SPARTA ELECTRIC SYSTEM
June 30, 2020**

RESIDENTIAL RATE - SCHEDULE RS

Customer charge	\$ 20.58	per month less \$1.60 Hydro allocation credit
Energy charge	All kWh	per month at 0.08835 per kWh

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer charge 1	\$ 22.32	per delivery point per month (< 500 kWh)
Customer charge 2	\$ 38.17	per delivery point per month (> 500 kWh)
Energy charge	All kWh	per month at 0.10272 per kWh

PART 2. (< 1,000 kWh)

Customer charge	\$ 125.54	per delivery point per month
Demand charge	First 50 kW of billing demand per month, at \$5.00 per kW	
	Excess over 50 kW of billing demand per month, at \$12.69 per kW	
Energy charge	All 15,000 kWh per month at 0.08345 per kWh	
	Additional kWh per month at 0.05693 per kWh	

PART 3. (1,000 - 5,000 kW)

Customer charge	\$ 552.49	per delivery point per month
Demand charge	First 1,000 kW of billing demand per month, at \$13.10 per kW	
	Excess over 1,000 kW of billing demand per month, at \$15.47 per kW	
Energy charge	All kWh	per month at 0.05989 per kWh

OUTDOOR LIGHTING RATE - SCHEDULE LS

Energy charge	0.06789	per kWh
Facility charge	LS (6.00)%	$\frac{B}{A \text{ or } B}$

CITY OF SPARTA, TENNESSEE
SCHEDULE OF UTILITY RATES
SPARTA WATER AND SEWER SYSTEM
June 30, 2020

Residential Rates - Inside City

First 2,000 gallons of water	\$18.54 minimum
Next 8,000 gallons of water	@ \$4.56 per thousand gallons
All over 10,000 gallons of water	@ \$2.86 per thousand gallons

Residential Rates - Outside City

First 2,000 gallons of water	\$27.82 minimum
Next 8,000 gallons of water	@ \$6.82 per thousand gallons
All over 10,000 gallons of water	@ \$4.30 per thousand gallons

Commercial Rates - Inside City

First 2,000 gallons of water	\$23.18 minimum
Next 8,000 gallons of water	@ \$5.69 per thousand gallons
All over 10,000 gallons of water	@ \$3.58 per thousand gallons

Commercial Rates - Outside City

First 2,000 gallons of water	\$34.78 minimum
Next 8,000 gallons of water	@ \$8.55 per thousand gallons
All over 10,000 gallons of water	@ \$5.38 per thousand gallons

Industrial Rates

First 2,000 gallons of water	\$23.18 minimum
Next 8,000 gallons of water	@ \$5.69 per thousand gallons
All over 10,000 gallons of water	@ \$3.58 per thousand gallons

Utility District Rates

\$2.54 per thousand gallons

Sewer charge, where applicable, is 130% of the water bill.

There were 3,335 water customers and 1,991 sewer customers billed for June 2020.

**CITY OF SPARTA, TENNESSEE
INSURANCE IN FORCE
June 30, 2020**

	<u>Amounts of Insurance</u>	<u>Expiration Date</u>
<u>City General</u>		
<u>General Liability and Personal Injury:</u>		
Bodily injury and personal injury		
per person	\$ 300,000	April 8, 2021
per occurrence	700,000	April 8, 2021
Other losses -per occurrence	1,000,000	April 8, 2021
Property damage - per occurrence	100,000	April 8, 2021
Fire damage - per occurrence	100,000	April 8, 2021
Impounded property -per occurrence	100,000	April 8, 2021
Medical payments - per occurrence	10,000	April 8, 2021
<u>Blanket Honesty:</u>		
City judge	10,000	February 4, 2021
City recorder	20,000	April 8, 2021
<u>Workmen's Compensation:</u>	Statutory	June 30, 2021
<u>Collision on Fire Trucks</u>	Limits in Policy	April 8, 2021
<u>Fire, Extended Coverage and Vandalism:</u>	90% co-insurance	
Buildings and contents	11,023,710	June 30, 2021
<u>Automobile Liability:</u>		
Fleet insurance	Limits detailed	April 8, 2021
Uninsured	in policy	
<u>Municipal Liability:</u>		
Public officials personal errors and omissions liability	1,000,000	June 30, 2021
<u>Sparta Electric System and Sparta Water and Sewer System</u>		
<u>General Liability:</u>		
Bodily injury and property damage	750,000	January 1, 2021
Excess public liability -catastrophes	2,250,000	
<u>Automobile Liability:</u>		
Liability	1,000,000	January 1, 2021
Medical	2,000	
Uninsured motorist	300,000	
<u>Workmen's Compensation</u>	Statutory	January 1, 2021
<u>Fire Insurance:</u>		
Building and contents	1,500,000	January 1, 2021
Water plant	26,616,642	
Transformers	1,600,000	

**CITY OF SPARTA, TENNESSEE
INSURANCE IN FORCE (CONT'D)
June 30, 2020**

<u>Money and Securities</u>	500,000	January 1, 2021
<u>Public Officials and Errors and Omissions</u>	1,000,000	January 1, 2021
<u>Equipment Float</u>	1,479,747	January 1, 2021
<u>Employee Honesty Bond</u>	500,000	January 1, 2021
 <u>Premises Pollution Liability</u>		
Per pollution condition	750,000	June 30, 2021
Aggregate	33,500,000	

COMPLIANCE

ALBERT R. DICUS

Certified Public Accountant

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**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
Independent Auditor's Report**

Mayor and Board of Aldermen
City of Sparta, Tennessee
Sparta, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sparta, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Sparta's basic financial statements and have issued my report thereon dated February 22, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Sparta's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Sparta's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Sparta, 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 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.


My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sparta, Tennessee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountant

Sparta, Tennessee
February 22, 2021

CITY OF SPARTA, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2020

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Sparta, Tennessee.
2. No significant deficiencies were disclosed during the audit of the financial statements that are reported in the "Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance that are required to be reported under *Government Auditing Standards* were disclosed during the audit.

CITY OF SPARTA, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2020

There were no findings in the prior year.