

Financial Statements

CITY OF ROCKY TOP, TENNESSEE

Year Ended June 30, 2022

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

City Council
City of Rocky Top, Tennessee
Rocky Top, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of City of Rocky Top, Tennessee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Rocky Top, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Rocky Top, Tennessee as of June 30, 2022, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, state street aid fund and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 12, the schedules of changes in net pension liability(asset) on pages 59 to 62 and schedule of pension contributions on pages 63 to 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Rocky Top, Tennessee's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of investments, property taxes receivable, long-term debt requirements, changes in long-term debt by individual issue and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedules of utility rates and metered customers and principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022 on our consideration of City of Rocky Top, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Rocky Top, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rocky Top, Tennessee's internal control over financial reporting and compliance.

Mitchell Emert + Hill

December 28, 2022

City of Rocky Top
195 S. MAIN ST. ROCKY TOP, TENNESSEE 37769
PHONE (865) 426-2838

**Management's Discussion and Analysis
For the Year Ended June 30, 2022**

The management of City of Rocky Top, Tennessee (the City) presents this management's discussion and analysis (MD&A) of the City's financial condition and results of operations for the fiscal year ended June 30, 2022. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the City, including the water and sewer fund, known as the primary government. The government-wide financial statements include only the primary government, which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The City's net position at June 30, 2022 was \$9,346,482 (\$8,456,098 in 2021).
- The City's net position increased by \$890,383 during the year ended June 30, 2022 (increased by \$834,163 in 2021).
- At June 30, 2022 the City's governmental funds reported combined ending fund balances of \$1,455,946, an increase of \$382,392 for the year ended June 30, 2022. At June 30, 2021 the City's governmental funds reported combined ending fund balances of \$1,073,552, an increase of \$403,958 for the year ended June 30, 2021. As of June 30, 2022 \$1,346,325 (\$984,982 in 2021) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2022 the unassigned general fund balance was \$1,346,325 (\$984,982 in 2021) or 58 percent (47 percent in 2021) of general fund expenditures. These unassigned fund balances demonstrate the City's fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (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 the following:

- General government
- Public safety
- Public welfare
- Public works
- Streets and highways
- Solid waste collection

The business-type activities of the City include water and sewer services provided by the water and sewer fund.

The government-wide financial statements can be found on pages 13 to 18 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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of the 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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund, state street aid fund and drug fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 24 to 32.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has one enterprise fund to account for water distribution and sewer collection.

The City's enterprise fund, the water and sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 33 to 38 in the basic financial statements.

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

Internal Control and Compliance Section - This includes the auditors' report on the City's internal controls and compliance and a schedule of finding, recommendation and management response.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2022 the City's net position was \$9,346,482 (\$8,456,098 in 2021).

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, 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; consequently, these assets are *not* available for future spending.

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt.

At June 30 the City's statement of net position consisted of the following:

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets	\$ 4,248,631	\$ 3,543,504
Other assets	228,000	152,499
Capital assets, net of accumulated depreciation	<u>6,676,871</u>	<u>6,460,622</u>
	11,153,502	10,156,625
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>449,452</u>	<u>94,983</u>
	<u>\$ 11,602,955</u>	<u>\$ 10,251,608</u>
LIABILITIES		
Current liabilities	\$ 347,374	\$ 247,903
Noncurrent liabilities	<u>571,834</u>	<u>695,502</u>
	919,208	943,405
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	601,943	667,304
Deferred grant revenue	215,354	2,762
Deferred inflows related to pension	<u>519,968</u>	<u>182,039</u>
	1,337,264	852,105
NET POSITION		
Net investment in capital assets	5,980,946	5,642,547
Restricted	305,514	215,581
Unrestricted	<u>3,060,022</u>	<u>2,597,970</u>
	<u>9,346,482</u>	<u>8,456,098</u>
	<u>\$ 11,602,955</u>	<u>\$ 10,251,608</u>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the City during the fiscal year:

	<u>2022</u>	<u>2021</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,503,636	\$ 1,441,050
Operating grants and contributions	499,388	179,980
Capital grants and contributions	317,679	346,603
General Revenue:		
Taxes	1,493,062	1,487,789

	<u>2022</u>	<u>2021</u>
Intergovernmental	215,018	245,042
Interest income	3,525	446
Insurance recoveries	68,583	54,880
Miscellaneous	<u>7,199</u>	<u>5,117</u>
	4,108,090	3,760,907
EXPENSES		
General government	736,713	632,162
Public safety	773,922	780,719
Public welfare	83,452	77,264
Public works	203,270	185,988
Streets and highways	87,141	56,573
Water and sewer	<u>1,333,209</u>	<u>1,194,038</u>
	<u>3,217,707</u>	<u>2,926,744</u>
Change in net position	890,383	834,163
Net position at the beginning of the year	<u>8,456,098</u>	<u>7,621,934</u>
Net position at the end of the year	<u>\$ 9,346,482</u>	<u>\$ 8,456,098</u>

Governmental Activities - During the year ended June 30, 2022, governmental activities increased the City's net position by \$877,465 (increased by \$739,753 in 2021) mostly due to increased grants and contributions.

The City's main sources of revenue are from property tax, local option sales tax, capital grants, operating grants and local and state-shared taxes which consist of tax revenue shared by the State of Tennessee.

Business-Type Activities - During the year ended June 30, 2022, business-type activities increased the City's net position by \$12,918 (increased by \$94,410 in 2021). The difference in the current year's result compared to the prior year was primarily due to increased operating expenses in the current year.

Capital Assets

The City's investment in capital assets as of June 30, 2022 was \$6,676,871 (\$6,460,622 in 2021) net of accumulated depreciation.

	<u>2022</u>	<u>2021</u>
Land	\$ 405,681	\$ 405,681
Land improvements	9,283	0
Construction in process	44,365	501,440
Buildings	1,599,878	1,583,066
Water distribution system	2,748,784	2,748,784
Sewer collection system	8,470,627	7,921,550

	<u>2022</u>	<u>2021</u>
Vehicles and equipment	2,579,578	2,371,207
Infrastructure	553,763	243,686
Accumulated depreciation	<u>(9,735,087)</u>	<u>(9,314,792)</u>
	<u>\$ 6,676,871</u>	<u>\$ 6,460,622</u>

The major capital asset additions during the year ended June 30, 2022 were as follows:

Building	\$ 16,812
Land improvements	9,283
Infrastructure	310,077
Vehicles and equipment	314,603
Sewer plant in operation	88,793
Construction in process	<u>3,208</u>
	<u>\$ 742,776</u>

Additional information on capital assets can be found in Note E to the financial statements.

Debt Administration

At June 30, 2022 the City's governmental funds had outstanding debt of \$241,000 (\$273,300 in 2021) consisting of the following:

	<u>2022</u>	<u>2021</u>
Notes payable	\$ 241,000	\$ 273,300
Less: current portion due	<u>(33,200)</u>	<u>(32,300)</u>
Total long-term debt-principal	<u>\$ 207,800</u>	<u>\$ 241,000</u>

During the year ended June 30, 2022, the City retired \$32,300 (\$237,100 in 2021) of its governmental funds debt.

At June 30, 2022 the City's proprietary fund had outstanding debt of \$454,926 (\$544,776 in 2021) consisting of the following:

	<u>2022</u>	<u>2021</u>
Notes payable	\$ 310,809	\$ 396,921
RDA loans	<u>144,117</u>	<u>147,855</u>
Total debt-principal	454,926	544,776
Less: current portion due	<u>(90,892)</u>	<u>(90,274)</u>
Total long-term debt-principal	<u>\$ 364,034</u>	<u>\$ 454,502</u>

During the year ended June 30, 2022, the City retired \$89,850 (\$39,713 in 2021) of its proprietary fund debt.

Additional information on debt can be found in Note H to the financial statements.

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City's governmental funds financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund's fund balance increased by \$367,962 during the year ended June 30, 2022 (increased by \$399,077 in 2021).

Proprietary Fund - The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the water and sewer fund was \$1,609,587 during the year ended June 30, 2022 and \$1,521,380 during the year ended June 30, 2021.

Fund Budgetary Highlights

During the year ended June 30, 2022, final amended budgeted revenue and expenditures of the state street aid fund did not change from the original budgeted revenue and expenditures. During the year ended June 30, 2022, final amended budgeted revenue of the drug fund increased approximately \$1,000 from original budgeted revenue and final amended budgeted expenditures increased approximately \$1,000 from the original budgeted expenditures.

During the year ended June 30, 2022, final amended budgeted revenue of the general fund decreased approximately \$189,859 from original budgeted revenue mostly due to a decreased in budgeted amounts for grants and contributions. Final amended budgeted expenditures decreased approximately \$269,783 from original budgeted expenditures mostly due to a decreased budgeted amounts for capital outlay.

Economic Factors and Next Year's Budgets and Rates

The City Council approved the budget for the year ending June 30, 2023. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2022.

Requests for Information

This MD&A and the accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the City's finances. If you have any questions or need additional information, you may contact:

Kari Bates, City Recorder
City of Rocky Top, Tennessee
195 S. Main Street
Rocky Top, TN 37769
Telephone 865-426-2838

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,520,266	\$ 1,314,165	\$ 2,834,431
Certificates of deposit	14,218	159,465	173,683
Accounts receivable, net of allowance for uncollectible accounts	0	193,034	193,034
Property taxes receivable	726,772	0	726,772
Net pension asset	175,767	52,233	228,000
Due from other governments	53,642	0	53,642
Other taxes receivable	120,395	0	120,395
Grant receivable	70,593	12,252	82,845
Internal balances	(4,859)	4,859	0
Prepaid expenses	32,108	20,248	52,356
Materials and supplies	0	11,473	11,473
Capital assets not being depreciated	311,525	138,521	450,046
Capital assets being depreciated, net of accumulated depreciation	<u>1,872,025</u>	<u>4,354,800</u>	<u>6,226,825</u>
	4,892,453	6,261,049	11,153,502
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>349,564</u>	<u>99,888</u>	<u>449,452</u>
	<u>\$ 5,242,018</u>	<u>\$ 6,360,937</u>	<u>\$ 11,602,955</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 78,463	\$ 34,693	\$ 113,156
Sales tax payable	0	3,750	3,750
Accrued salaries	56,601	16,123	72,724
Customer deposits	0	33,653	33,653
Current portion of long-term debt	33,200	90,892	124,092
Long-term debt, net of current portion	<u>207,800</u>	<u>364,034</u>	<u>571,834</u>
	376,064	543,145	919,208
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	601,943	0	601,943
Deferred grant revenue	215,354	0	215,354
Deferred inflows related to pension	<u>402,391</u>	<u>117,577</u>	<u>519,968</u>
	1,219,688	117,577	1,337,264
NET POSITION			
Net investment in capital assets	1,942,551	4,038,395	5,980,946
Restricted:			
Drug enforcement	6,056	0	6,056
Street improvement	71,457	0	71,457
Pension	175,767	52,233	228,000
Unrestricted	<u>1,450,435</u>	<u>1,609,587</u>	<u>3,060,022</u>
	<u>3,646,266</u>	<u>5,700,215</u>	<u>9,346,482</u>
	<u>\$ 5,242,018</u>	<u>\$ 6,360,937</u>	<u>\$ 11,602,955</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 736,713	\$ 29,470	\$ 346,122	\$ 0
Public safety	773,922	34,298	6,400	2,375
Public welfare	83,452	8,555	78,334	0
Streets and highways	87,141	0	57,532	315,304
Public works	<u>203,270</u>	<u>133,796</u>	<u>0</u>	<u>0</u>
Total governmental activities	1,884,498	206,119	488,388	317,679
Business-Type Activities:				
Water and sewer	<u>1,333,209</u>	<u>1,297,517</u>	<u>11,000</u>	<u>0</u>
	<u>\$ 3,217,707</u>	<u>\$ 1,503,636</u>	<u>\$ 499,388</u>	<u>\$ 317,679</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (361,121)	\$ 0	\$ (361,121)
(730,849)	0	(730,849)
3,437	0	3,437
285,695	0	285,695
(69,474)	0	(69,474)
(872,312)	0	(872,312)
0	(24,692)	(24,692)
\$ (872,312)	\$ (24,692)	\$ (897,004)

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2022

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

- Property taxes
- Interest and penalties
- In-Lieu of tax payments
- Local sales tax
- Business taxes
- Room occupancy tax
- Wholesale beer tax
- Wholesale liquor tax
- Cable TV franchise tax

Intergovernmental

Interest income

Insurance recoveries

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (872,312)	\$ (24,692)	\$ (897,004)
654,747	0	654,747
20,577	0	20,577
33,588	0	33,588
540,856	0	540,856
37,477	0	37,477
56,738	0	56,738
93,054	0	93,054
29,969	0	29,969
26,056	0	26,056
215,018	0	215,018
116	3,409	3,525
34,382	34,201	68,583
7,199	0	7,199
<u>1,749,777</u>	<u>37,610</u>	<u>1,787,387</u>
877,465	12,918	890,383
<u>2,768,801</u>	<u>5,687,297</u>	<u>8,456,098</u>
<u>\$ 3,646,266</u>	<u>\$ 5,700,215</u>	<u>\$ 9,346,482</u>

CITY OF ROCKY TOP, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 1,452,619	\$ 61,593	\$ 6,056	\$ 1,520,266
Certificates of deposit	14,218	0	0	14,218
Property taxes receivable	726,772	0	0	726,772
Grants receivable	70,593	0	0	70,593
Other taxes receivable	120,395	0	0	120,395
Due from other governments	43,778	9,864	0	53,642
Due from other funds	16,006	0	0	16,006
Prepaid expenses	32,108	0	0	32,108
	<u>\$ 2,476,488</u>	<u>\$ 71,457</u>	<u>\$ 6,056</u>	<u>\$ 2,554,000</u>
LIABILITIES				
Accounts payable	\$ 78,463	\$ 0	\$ 0	\$ 78,463
Accrued salaries	56,601	0	0	56,601
Due to other funds	20,864	0	0	20,864
	<u>155,928</u>	<u>0</u>	<u>0</u>	<u>155,928</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	726,772	0	0	726,772
Deferred grant revenue	215,354	0	0	215,354
	<u>942,126</u>	<u>0</u>	<u>0</u>	<u>942,126</u>
FUND BALANCES				
Nonspendable	32,108	0	0	32,108
Restricted	0	71,457	6,056	77,513
Unassigned	1,346,325	0	0	1,346,325
	<u>1,378,433</u>	<u>71,457</u>	<u>6,056</u>	<u>1,455,946</u>
	<u>\$ 2,476,488</u>	<u>\$ 71,457</u>	<u>\$ 6,056</u>	<u>\$ 2,554,000</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total Fund Balance - Governmental Funds	\$ 1,455,946
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	2,183,551
Net pension assets and liabilities and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet:	
Net pension asset	175,767
Deferred outflows of resources	349,564
Deferred inflows of resources	(402,391)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	124,829
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(241,000)</u>
Net Position of Governmental Activities	<u>\$ 3,646,266</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property tax	\$ 660,069	\$ 0	\$ 0	\$ 660,069
Interest and penalty	20,577	0	0	20,577
In-Lieu of tax payments	33,588	0	0	33,588
Local sales tax	540,856	0	0	540,856
Business tax	37,477	0	0	37,477
Room occupancy tax	56,738	0	0	56,738
Wholesale beer tax	93,054	0	0	93,054
Wholesale liquor tax	29,969	0	0	29,969
Cable TV franchise tax	26,056	0	0	26,056
Intergovernmental	863,487	57,532	0	921,019
Licenses and permits	5,470	0	0	5,470
Charges for services	144,894	0	0	144,894
Fines and forfeitures	31,051	0	704	31,755
Other	165,758	5	0	165,763
TOTAL REVENUE	2,709,044	57,537	704	2,767,285

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2022

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES				
Current:				
General government	685,898	0	0	685,898
Public safety	737,309	0	994	738,303
Public works	169,833	0	0	169,833
Streets and highways	21,048	42,817	0	63,865
Public welfare	86,598	0	0	86,598
Capital outlay	601,194	0	0	601,194
Debt service	39,202	0	0	39,202
TOTAL EXPENDITURES	<u>2,341,082</u>	<u>42,817</u>	<u>994</u>	<u>2,384,893</u>
NET CHANGES IN FUND BALANCES	367,962	14,720	(290)	382,392
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>1,010,470</u>	<u>56,736</u>	<u>6,346</u>	<u>1,073,552</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 1,378,433</u>	<u>\$ 71,457</u>	<u>\$ 6,056</u>	<u>\$ 1,455,946</u>

CITY OF ROCKY TOP, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

Net Changes in Fund Balances	\$ 382,392
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:	
Acquisition of capital assets	601,194
Depreciation expense	(202,257)
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	25,135
Pension expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund financial statements.	44,022
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:	
Deferred tax revenue - June 30, 2021	(130,150)
Deferred tax revenue - June 30, 2022	124,829
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	<u>32,300</u>
Change in Net Position of Governmental Activities	<u><u>\$ 877,465</u></u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
REVENUE				
Taxes:				
Property tax	\$ 621,700	\$ 626,870	\$ 660,069	\$ 33,199
Interest and penalty	15,000	14,000	20,577	6,577
In-Lieu of tax payments	31,337	31,337	33,588	2,251
Local sales tax	490,000	490,000	540,856	50,856
Business tax	32,354	32,849	37,477	4,628
Room occupancy tax	45,000	39,000	56,738	17,738
Wholesale beer tax	95,000	95,000	93,054	(1,946)
Wholesale liquor tax	27,900	27,900	29,969	2,069
Cable TV franchise tax	20,000	20,000	26,056	6,056
	<u>1,378,291</u>	<u>1,376,956</u>	<u>1,498,385</u>	<u>121,428</u>
Intergovernmental:				
Corporate excise tax	3,100	5,700	5,746	46
State beer tax	878	878	744	(134)
State sales tax	182,000	182,000	186,459	4,459
Telecommunications tax	0	0	1,637	1,637
T.V.A. In-Lieu of tax payments	20,900	20,900	17,403	(3,497)
City streets and transportation funds	3,536	2,936	3,030	94
Governor's Highway Safety Grant	4,800	4,800	6,400	1,600
USDA grant	232,135	232,135	250,000	17,865
Direct appropriation grant	34,400	34,400	34,409	9
Other grants	10,000	10,200	5,524	(4,676)
Sidewalk grant	300,000	60,000	12,171	(47,829)
ARPA grant	0	0	36,831	36,831
Bridge grant	295,237	295,237	303,133	7,896
	<u>1,086,986</u>	<u>849,186</u>	<u>863,487</u>	<u>14,301</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND
(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Licenses and permits:				
Beer licenses	1,300	1,300	1,550	250
Building permits	4,000	500	3,920	3,420
	5,300	1,800	5,470	3,670
Charges for services:				
Parks and recreation charges	4,000	6,600	8,555	1,955
Sanitation charges	132,000	132,000	133,796	1,796
Accident report charges	1,000	1,000	2,543	1,543
	137,000	139,600	144,894	5,294
Fines and forfeitures	31,000	31,000	31,051	51
Other revenue:				
Contributions	29,700	34,104	37,768	3,664
Miscellaneous revenue	6,070	6,570	7,309	739
Contributions from emergency communications district	12,000	12,000	62,300	50,300
Insurance recoveries	3,000	48,272	34,382	(13,890)
Rent	24,000	24,000	24,000	0
	74,770	124,946	165,758	40,811
TOTAL REVENUE	2,713,347	2,523,488	2,709,045	185,555

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
EXPENDITURES				
Legislative:				
Salaries and wages	3,600	3,600	3,600	0
Employee education and training	1,000	1,000	0	(1,000)
Public relations	4,000	4,000	2,537	(1,463)
Subscriptions	4,000	4,000	5,771	1,771
Professional services	500	500	191	(309)
Legal services	4,000	4,000	2,159	(1,841)
	<u>17,100</u>	<u>17,100</u>	<u>14,258</u>	<u>(2,842)</u>
Judicial:				
Salaries and wages	1,200	1,200	1,100	(100)
Court costs	19,020	19,020	16,391	(2,629)
	<u>20,220</u>	<u>20,220</u>	<u>17,491</u>	<u>(2,729)</u>
Financial administration:				
Salaries and wages	97,000	97,000	100,530	3,530
Retirement	3,600	3,600	3,458	(142)
Employee education and training	4,000	4,000	1,350	(2,650)
Dues and subscriptions	500	500	289	(211)
Travel	4,000	4,000	6,322	2,322
Operating supplies	1,050	1,050	1,150	100
	<u>110,150</u>	<u>110,150</u>	<u>113,099</u>	<u>2,949</u>

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
General government buildings:				
Codes administration	19,070	19,070	20,215	1,145
Retirement	65	65	63	(2)
Employee education and training	0	0	495	495
Utilities	40,500	40,500	45,588	5,088
Telephone	16,000	16,000	12,969	(3,031)
Professional services	300	300	4,617	4,317
Repairs and maintenance	14,100	14,100	3,740	(10,360)
Operating supplies	2,600	2,600	1,212	(1,388)
	<u>92,635</u>	<u>92,635</u>	<u>88,899</u>	<u>(3,736)</u>
Other general government:				
OASDI	75,000	75,000	70,367	(4,633)
Hospital and health insurance	282,000	282,000	232,477	(49,523)
Retirement	0	0	1,076	1,076
Workers' compensation	33,000	33,000	27,862	(5,138)
Office supplies	3,159	3,159	4,428	1,269
Professional services	33,500	33,500	38,178	4,678
Unemployment insurance	415	415	472	57
Liability insurance	25,000	39,145	34,888	(4,257)
Miscellaneous	40,061	40,061	2,906	(37,155)
ARPA purchases - salaries and furniture	0	0	36,831	36,831
Bank charges	3,877	3,877	2,668	(1,209)
	<u>496,012</u>	<u>510,157</u>	<u>452,153</u>	<u>(58,004)</u>
Police department:				
Salaries and wages	563,820	565,420	482,589	(82,831)
Retirement	20,805	20,805	15,336	(5,469)
Training and travel	8,000	13,100	10,833	(2,267)

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		Over (Under)
Police department (continued):				
Dues and subscriptions	600	600	740	140
Data processing services	4,000	4,000	1,688	(2,312)
Repairs and maintenance	5,300	12,000	0	(12,000)
Operating supplies	2,000	2,000	3,027	1,027
Office supplies	100	100	192	92
Small items of equipment	9,450	9,450	3,435	(6,015)
Uniforms	3,500	3,500	3,734	234
Firearms supplies	650	650	0	(650)
Gasoline and oil	13,500	17,100	25,409	8,309
Vehicle maintenance	4,000	4,000	5,515	1,515
	<u>635,725</u>	<u>652,725</u>	<u>552,498</u>	<u>(100,227)</u>
Fire department:				
Salaries and wages	127,600	127,600	151,263	23,663
Retirement	4,708	4,708	4,706	(2)
Training	1,000	1,000	771	(229)
Volunteer firemen	6,000	6,000	7,323	1,323
Uniforms	1,500	1,500	1,258	(242)
Insurance	1,500	1,500	0	(1,500)
Office supplies	2,700	2,700	220	(2,480)
Travel	1,000	1,000	0	(1,000)
Operating supplies	2,000	2,000	2,219	219
Small items of equipment	2,000	2,000	1,646	(354)
Gas, oil and grease	3,000	3,700	5,540	1,840
Vehicle maintenance	10,000	10,000	9,865	(135)
	<u>163,008</u>	<u>163,708</u>	<u>184,811</u>	<u>21,103</u>

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**

GENERAL FUND

(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Streets and highways:				
Machinery and equipment	0	0	4,640	4,640
Repair and maintenance	0	0	1,903	1,903
Operating supplies	0	0	14,505	14,505
	<u>0</u>	<u>0</u>	<u>21,048</u>	<u>21,048</u>
Public works:				
Salaries and wages	105,000	105,000	108,315	3,315
Retirement	3,875	3,875	2,875	(1,000)
Uniforms	2,000	2,000	1,505	(495)
Professional services	100	100	176	76
Repair and maintenance	4,036	19,308	19,097	(211)
Operating supplies	19,403	19,403	20,687	1,284
Gas, oil and grease	10,000	12,650	17,178	4,528
	<u>144,414</u>	<u>162,336</u>	<u>169,833</u>	<u>7,497</u>
Recreation:				
Salaries and wages	44,000	44,000	31,211	(12,789)
Retirement	1,217	1,217	1,142	(75)
Uniforms	150	150	1,545	1,395
Professional services	500	500	0	(500)
Repairs and maintenance	25,000	25,000	2,134	(22,866)
Gasoline and oil	2,000	2,450	0	(2,450)
Small items of equipment	2,000	2,000	6,846	4,846
Operating supplies	6,500	6,500	3,236	(3,264)
Vehicle maintenance	1,000	1,000	413	(587)
	<u>82,367</u>	<u>82,817</u>	<u>46,526</u>	<u>(36,291)</u>

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND
(continued)

Year Ended June 30, 2022

	Budget		Actual	Variance Over (Under)
	Original	Final		
Tourism:				
Fourth of July event	8,000	11,700	17,800	6,100
Fireworks	6,000	6,000	4,319	(1,681)
	<u>14,000</u>	<u>17,700</u>	<u>22,119</u>	<u>4,419</u>
Libraries:				
Operating supplies	1,000	1,000	287	(713)
Anderson County Library Board	17,665	17,665	17,666	1
	<u>18,665</u>	<u>18,665</u>	<u>17,953</u>	<u>(712)</u>
Capital outlay	878,405	554,705	601,194	46,489
Debt service	<u>40,645</u>	<u>40,645</u>	<u>39,202</u>	<u>(1,443)</u>
TOTAL EXPENDITURES	<u>2,713,347</u>	<u>2,443,563</u>	<u>2,341,082</u>	<u>(102,479)</u>
NET CHANGES IN FUND BALANCES	0	79,925	367,962	288,034
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>1,010,470</u>	<u>1,010,470</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 79,925</u>	<u>\$ 1,378,433</u>	<u>\$ 1,298,504</u>

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND**

Year Ended June 30, 2022

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
State gasoline and motor fuel tax	\$ 68,568	\$ 68,568	\$ 57,532	\$ (11,036)
Interest	<u>10</u>	<u>10</u>	<u>5</u>	<u>(5)</u>
TOTAL REVENUE	68,578	68,578	57,537	(11,041)
EXPENDITURES				
Repairs and maintenance	8,000	8,000	0	(8,000)
Bank charges	250	250	0	(250)
Utilities	46,000	46,000	42,817	(3,183)
Operating supplies	4,328	4,328	0	(4,328)
Machinery and equipment	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
TOTAL EXPENDITURES	<u>68,578</u>	<u>68,578</u>	<u>42,816</u>	<u>(25,761)</u>
NET CHANGE IN FUND BALANCE	0	0	14,720	14,720
FUND BALANCE AT THE BEGINNING OF THE YEAR				
	<u>0</u>	<u>0</u>	<u>56,736</u>	<u>56,736</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,457</u>	<u>\$ 71,457</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG FUND**

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Drug related fines	\$ 1,000	\$ 3,500	\$ 704	\$ (2,796)
EXPENDITURES				
Operating supplies	<u>1,000</u>	<u>1,500</u>	<u>994</u>	<u>(506)</u>
NET CHANGE IN FUND BALANCE	0	2,000	(290)	(2,290)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>6,346</u>	<u>6,346</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 6,056</u>	<u>\$ 4,057</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2022

CURRENT ASSETS

Cash		\$ 1,314,165
Certificates of deposit		159,465
Accounts receivable, net of allowance for uncollectible accounts of \$100,000		193,034
Grant receivable		12,252
Prepaid expenses		20,248
Due from general fund		4,859
Materials and supplies		<u>11,473</u>
		1,715,496

OTHER ASSET

Net pension asset		52,233
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CAPITAL ASSETS

Land and land rights	\$ 138,521	
Equipment	475,144	
Buildings	366,517	
Water distribution system	2,748,784	
Sewer collection system	<u>8,470,626</u>	
	12,199,592	
Accumulated depreciation	<u>(7,706,271)</u>	4,493,321

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>99,888</u>
		<u>\$ 6,360,937</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	34,693	
Sales tax payable		3,750	
Accrued salaries		16,123	
Customer deposits		33,653	
Current portion of long-term debt		<u>90,892</u>	
			<u>179,111</u>

**LONG-TERM DEBT,
net of current portion**

364,034

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension			117,577
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NET POSITION

Net investment in capital assets	\$	4,038,395	
Restricted:			
Pension		52,233	
Unrestricted		<u>1,609,587</u>	<u>5,700,215</u>
			<u>\$ 6,360,937</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

Year Ended June 30, 2022

OPERATING REVENUE

Charges for services	\$ 1,229,468
Other operating revenue	68,049
Operating grants	<u>11,000</u>

TOTAL OPERATING REVENUE 1,308,517

OPERATING EXPENSES

Water transmission and distribution:

Water purchased for resale	\$ 204,495	
Salaries	95,780	
Retirement	(2,977)	
Training	5,589	
Dues and subscriptions	5,445	
Operating supplies	51,594	
Uniforms	1,569	
Gasoline and oil	6,746	
Repairs and maintenance	<u>12,306</u>	380,547

Sewer treatment and disposal:

Salaries	92,156	
Retirement	(4,445)	
Training	185	
Dues and subscriptions	8,709	
Utilities	64,539	
Repairs and maintenance	19,046	
Rent	24,000	
Landfill service	1,820	
Operating supplies	103,871	
Clothing and uniforms	<u>1,077</u>	310,958

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2022

General and administrative:		
Salaries	83,758	
Payroll taxes	20,242	
Retirement	(4,017)	
Training	470	
Hospital and health insurance	80,862	
Professional services	83,903	
Office expenses	10,690	
Unemployment insurance	152	
Insurance	<u>33,402</u>	309,462
Depreciation		<u>324,271</u>
	TOTAL OPERATING EXPENSES	<u>1,325,238</u>
	(LOSS) FROM OPERATIONS	(16,721)
NONOPERATING REVENUE(EXPENSE)		
Interest income	3,409	
Insurance recovery	34,201	
Interest expense	<u>(7,972)</u>	<u>29,638</u>
	CHANGE IN NET POSITION	12,918
NET POSITION AT THE BEGINNING OF THE YEAR		<u>5,687,297</u>
NET POSITION AT THE END OF THE YEAR		<u><u>\$ 5,700,215</u></u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2022

**CASH PROVIDED(USED) BY
OPERATING ACTIVITIES**

Cash received from customers	\$ 1,307,046
Cash paid to suppliers	(838,880)
Cash paid to employees	<u>(188,097)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 280,069

**CASH PROVIDED(USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (141,582)
Principal payments on long-term debt	(89,850)
Insurance recovery	34,201
Interest paid on debt	<u>(7,972)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (205,203)

**CASH PROVIDED BY
INVESTING ACTIVITIES**

Interest received	<u>3,409</u>
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NET INCREASE IN CASH 78,275

**CASH AND CASH EQUIVALENTS
AT THE BEGINNING OF THE YEAR**

1,235,890

**CASH AND CASH EQUIVALENTS
AT THE END OF THE YEAR**

\$ 1,314,165

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2022

**RECONCILIATION OF INCOME
FROM OPERATIONS TO NET CASH
PROVIDED(USED) BY OPERATING ACTIVITIES**

(Loss) from operations		\$ (16,721)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	\$ 324,271	
Deferred retirement contributions	(11,446)	
Pension expense	(11,439)	
(Increase) in:		
Accounts receivable	(1,471)	
Prepaid expenses	(4,892)	
Due from other funds	(4,859)	
Increase(decrease) in:		
Accounts payable	18,276	
Sales tax payable	(176)	
Accrued salaries	697	
Deferred grant revenue	(2,762)	
Customer deposits	(9,409)	296,790
		<u>296,790</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 280,069</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

NOTE A - DESCRIPTION OF ORGANIZATION

City of Rocky Top, Tennessee (the City) was incorporated under Chapter 239 of the Private Acts of 1939, as amended by Chapter 227 of the Private Acts of 1992. State of Tennessee Private Chapter 58, House Bill 1469 was approved on April 24, 2014 changing the City's name from City of Lake City to City of Rocky Top. The City operates under a City Council form of government and provides the following services as authorized by its charter: water and sewer utilities, finance and taxation, public safety, streets and sanitation, and buildings, grounds, and recreation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Rocky Top, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2022 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the City is October 1 of the ensuing fiscal year. Such taxes become delinquent on March 1. Property tax revenue is recognized when levied to the extent that they result in current receivables; that is if they are received within 60 days of the end of the fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property tax receivables are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Anderson County Clerk and Master for collection.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

The City reports the following major governmental funds:

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

The *state street aid fund* is used to account for the City's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the City's boundaries.

The *drug fund* is used to account for costs associated with drug investigation and control and officers' training.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2022.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and change in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds is charges to customers for sales and services. The City also recognizes as operating revenue, the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's water and sewer function, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of any debt attributable to the acquisition, construction or improvement of those assets.

Net investment in capital assets at June 30, 2022 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 4,212,366
Accumulated depreciation	(2,028,816)
Principal balance on long-term debt	<u>(241,000)</u>
	<u>\$ 1,942,551</u>

Business-Type Activities:

Capital assets	\$ 12,199,593
Accumulated depreciation	(7,706,271)
Principal balance on long-term debt	<u>(454,926)</u>
	<u>\$ 4,038,395</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Net position of the water and sewer fund is restricted for pension. Governmental funds also report restricted net position for pension. Net position of the state street aid fund is classified as restricted net position because its use is limited to street improvements. Net position of the drug fund is classified as restricted net position because its use is limited to police drug enforcement or education programs. Governmental and business-type activities also report net position restricted for pension. 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.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "Restricted" or "Net Investment in Capital Assets." Unrestricted net position may be designated for specific purposes by action of management or the Board of Mayor and Council or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Board of Mayor and Council commits resources for specific purposes by passing ordinances.

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Mayor and Council.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The Board of Mayor and Council are required to adopt, by ordinance, total budget appropriations by line item for all funds. The City's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Board of Mayor and Council. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$100 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed.

Materials and Supplies

Materials and supplies of the proprietary fund are valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value. The cost of inventory items of the governmental fund types (primarily materials and supplies) are recorded as expenditures when purchased.

Compensated Absences

City employees are granted vacation leave in varying amounts based on years of employment, and may accumulate a maximum of 40 hours vacation leave. In the event of termination, the employee is paid for any unused vacation leave. The City's policies also provide for the City to buy back up to 40 hours of unused vacation leave annually.

City employees are granted eight hours of sick leave per month. The City's policies do not provide for an employee to be paid for any unused sick leave in the event of termination. No liability is recorded for accumulated sick leave.

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation leave of the proprietary fund is recorded as an expense and liability of the fund as the benefits accrue to the employees.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable is provided based upon historical trends. The allowance for uncollectible accounts at June 30, 2022 was as follows:

Proprietary fund	\$ 100,000
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CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public 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.

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2022 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 179	\$ 200	\$ 379
Bank deposits (checking and savings accounts)	1,520,087	1,313,965	2,834,052
Certificates of deposit	<u>14,218</u>	<u>159,465</u>	<u>173,683</u>
Totals	<u>\$ 1,534,484</u>	<u>\$ 1,473,630</u>	<u>\$ 3,008,114</u>
Unrestricted assets	<u>\$ 1,534,484</u>	<u>\$ 1,473,630</u>	<u>\$ 3,008,114</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee 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.

All cash balances at June 30, 2022 were entirely insured through either the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation, general liability insurance, and destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the City. It is not possible to estimate the amount of such additional assessments or refunds, if any.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE E - CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 267,160	\$ 0	\$ 0	\$ 267,160
Construction in process	<u>41,157</u>	<u>313,285</u>	<u>(310,077)</u>	<u>44,365</u>
	308,317	313,285	(310,077)	311,525
<u>Capital assets being depreciated</u>				
Land improvements	0	9,283	0	9,283
Infrastructure	243,686	310,077	0	553,763
Vehicles and equipment	1,938,054	272,613	(106,233)	2,104,434
Buildings	<u>1,227,348</u>	<u>6,013</u>	<u>0</u>	<u>1,233,361</u>
	3,409,088	597,986	(106,233)	3,900,841
<u>Accumulated depreciation</u>				
Land improvements	0	(617)	0	(617)
Infrastructure	(77,668)	(12,452)	0	(90,120)
Vehicles and equipment	(1,032,482)	(153,489)	106,233	(1,079,737)
Buildings	<u>(822,643)</u>	<u>(35,699)</u>	<u>0</u>	<u>(858,342)</u>
	<u>(1,932,792)</u>	<u>(202,257)</u>	<u>106,233</u>	<u>(2,028,816)</u>
	<u>\$ 1,784,614</u>	<u>\$ 709,014</u>	<u>\$ (310,077)</u>	<u>\$ 2,183,551</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 46,876
Public safety	90,748
Public welfare	31,895
Streets and highways	23,277
Solid waste	<u>9,460</u>
	<u>\$ 202,257</u>

<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
<u>7/1/21</u>			<u>6/30/22</u>

Business-Type Activities:

Capital assets not being depreciated

Land	\$ 138,521	\$ 0	\$ 0	\$ 138,521
Construction in process	<u>460,283</u>	<u>0</u>	<u>(460,283)</u>	<u>0</u>
	598,804	0	(460,283)	138,521

Capital assets being depreciated

Buildings	355,718	10,799	0	366,517
Vehicles and equipment	433,153	41,990	0	475,144
Water distribution plant	2,748,784	0	0	2,748,784
Sewer collection plant	<u>7,921,550</u>	<u>549,076</u>	<u>0</u>	<u>8,470,626</u>
	11,459,205	601,865	0	12,061,072

Accumulated depreciation

Buildings	(225,888)	(10,779)	0	(236,666)
Vehicles and equipment	(321,355)	(39,497)	0	(360,852)
Water distribution plant	(978,801)	(90,273)	0	(1,069,074)
Sewer collection plant	<u>(5,855,957)</u>	<u>(183,722)</u>	<u>0</u>	<u>(6,039,679)</u>
	<u>(7,382,000)</u>	<u>(324,271)</u>	<u>0</u>	<u>(7,706,271)</u>

<u>\$ 4,676,010</u>	<u>\$ 277,595</u>	<u>\$ (460,283)</u>	<u>\$ 4,493,321</u>
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CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE F - PENSION PLAN

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a 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% 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 three 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 ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Employees Covered by Benefit Terms

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>20</u>
	<u>51</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% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, employer contributions for the City were \$34,235 based on a rate of 3.69% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

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

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.0%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125%

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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

Changes of Assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified the mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. 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 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability(Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a) - (b)</u>
Changes for the year ended June 30, 2021:			
Increase(decrease):			
Service cost	\$ 77,151	\$ 0	\$ 77,151
Interest	194,126	0	194,126
Differences between expected and actual experience	133,126	0	133,126
Changes in assumptions	319,650	0	319,650
Contributions - employer	0	34,444	(34,444)
Contributions - employees	0	46,672	(46,672)
Net investment income	0	720,386	(720,386)
Benefit payments, including refunds of employee contributions	(94,109)	(94,109)	0
Administrative expense	<u>0</u>	<u>(1,948)</u>	<u>1,948</u>
Net changes for the year ended June 30, 2021	629,944	705,445	(75,501)
Balances at June 30, 2020	<u>2,647,498</u>	<u>2,799,997</u>	<u>(152,499)</u>
Balances at June 30, 2021	<u>\$ 3,277,442</u>	<u>\$ 3,505,442</u>	<u>\$ (228,000)</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate

The following presents the net pension liability(asset) of the City calculated using the discount rate of 6.75%, as well as what the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net pension liability(asset)	\$ 266,667	\$ (228,000)	\$ (634,506)

Negative Pension Expense

For the year ended June 30, 2022, the City recognized negative pension expense of \$57,442.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 123,728	\$ 135,519
Net difference between projected and actual earnings on pension plan investments	0	384,449
Changes in assumptions	291,489	0
Contributions subsequent to the measurement date of June 30, 2021	<u>34,235</u>	<u>not applicable</u>
Totals	<u>\$ 449,452</u>	<u>\$ 519,968</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction(increase) to net pension liability(asset) in the following measurement period.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

Year Ending
June 30:

2023	\$ (65,497)
2024	(63,796)
2025	(48,850)
2026	(55,971)
2027	64,682
Thereafter	64,682

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

NOTE G – COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2022, the City received a Consent Order and Assessment from the State of Tennessee Department of Environment and Conservation in relation to the operation of the municipal sewage treatment plant. The Consent Order did not assess any penalties but did require the submission and approval of a corrective action plan to correct the alleged violations and bring the City into full compliance. These corrections were not complete as of June 30, 2022.

During the year ended June 30, 2022, the City entered into a contract related to sidewalk improvements totaling \$94,500; \$44,366 has been expended as of June 30, 2022.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS
(continued)

June 30, 2022

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2022 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Notes, Series 2015, payable in annual installments ranging from \$10,500 to \$12,000 including interest at 2.49% until maturity in 2027	\$ 55,500
Tennessee Municipal Bond Fund Equipment Acquisition Capital Outlay Extension Note, Series 2021, payable in annual installments of \$11,200 plus interest at 2.50% with a balloon payment of \$44,000 due in 2024	55,200
General Obligation Capital Outlay Refunding Note, Series 2021, payable in annual installments ranging from \$11,500 to \$15,300 plus interest at 2.640% until maturity in 2032	130,300
	<u>241,000</u>
Less current maturities	<u>(33,200)</u>
	<u>\$ 207,800</u>

Business-Type Activities:

State of Tennessee CWSRF Loan #2018-418, due in varying monthly installments plus interest at .500% until maturity in 2026	\$ 310,809
State of Tennessee Rural Development Loan, due in monthly installments of \$902 including interest at 4.375% until maturity in 2042	144,117
	<u>454,926</u>
Less current maturities	<u>(90,892)</u>
	<u>\$ 364,034</u>

The net revenue of the water and sewer fund and the taxing authority of the City are pledged for the repayment of the principal and interest maturities of the CWSRF Loan and Rural Development Loan.

The ad valorem taxes levied on all taxable property within the jurisdiction are pledged for the repayment of the principal and interest maturities of the General Obligation Capital Outlay Notes and Tennessee Municipal Bond Fund Equipment Acquisition Capital Outlay Notes.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Changes in long-term debt for the year ended June 30, 2022 were as follows:

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/22</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Notes payable	\$ 273,300	\$ 0	\$ (32,300)	\$ 241,000	\$ 33,200
<u>Business-Type Activities:</u>					
Notes payable	\$ 396,921	\$ 0	\$ (86,112)	\$ 310,809	\$ 86,244
State of TN RDA Loans	147,855	0	(3,738)	144,117	4,648
	<u>\$ 544,776</u>	<u>\$ 0</u>	<u>\$ (89,850)</u>	<u>\$ 454,926</u>	<u>\$ 90,892</u>

Interest costs incurred for the year ended June 30, 2022 were \$14,874, all of which was expensed.

Maturities of long-term debt as of June 30, 2022 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 33,200	\$ 6,372	\$ 39,572
2024	65,800	5,584	71,384
2025	22,700	3,964	26,664
2026	23,700	3,422	27,122
2027	24,600	2,858	27,458
2028	13,100	1,701	14,801
2029	13,700	1,348	15,048
2030	14,200	979	15,179
2031	14,700	598	15,298
2032	15,300	202	15,502
	<u>\$ 241,000</u>	<u>\$ 27,029</u>	<u>\$ 268,029</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Business-Type Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 90,892	\$ 7,544	\$ 98,436
2024	91,532	6,904	98,436
2025	92,192	6,244	98,436
2026	56,068	5,696	61,764
2027	5,535	5,289	10,824
2028	5,782	5,042	10,824
2029	6,040	4,784	10,824
2030	6,310	4,514	10,824
2031	6,591	4,233	10,824
2032	6,885	3,939	10,824
2033	7,193	3,631	10,824
2034	7,514	3,310	10,824
2035	7,849	2,975	10,824
2036	8,199	2,625	10,824
2037	8,565	2,259	10,824
2038	8,947	1,877	10,824
2039	9,347	1,477	10,824
2040	9,764	1,060	10,824
2041	10,199	625	10,824
2042	<u>9,522</u>	<u>171</u>	<u>9,693</u>
	<u>\$ 454,926</u>	<u>\$ 74,199</u>	<u>\$ 529,125</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2022

	Measurement Date at June 30,		
	2021	2020	2019
<u>Total pension liability</u>			
Service cost	\$ 77,151	\$ 71,794	\$ 62,945
Interest	194,126	189,693	177,416
Differences between actual and expected experience	133,126	(112,040)	11,239
Change of assumptions	319,650	0	0
Benefit payments, including refunds of employee contributions	(94,109)	(93,216)	(89,019)
Net change in total pension liability	629,944	56,231	162,581
Total pension liability - beginning	2,647,498	2,591,267	2,428,686
Total pension liability - ending (a)	3,277,442	2,647,498	2,591,267
<u>Plan fiduciary net position</u>			
Contributions - employer	34,444	34,293	34,710
Contributions - employee	46,672	46,468	47,033
Net investment income	720,386	132,664	186,188
Benefit payments, including refunds of employee contributions	(94,109)	(93,216)	(89,019)
Administrative expense	(1,948)	(2,144)	(2,291)
Net change in plan fiduciary net position	705,445	118,065	176,621
Plan fiduciary net position - beginning	2,799,997	2,681,932	2,505,311
Plan fiduciary net position - ending (b)	3,505,442	2,799,997	2,681,932
Net pension liability(asset) - ending (a) - (b)	<u>\$ (228,000)</u>	<u>\$ (152,499)</u>	<u>\$ (90,665)</u>

See the accompanying independent accountants' audit report.

Measurement Date at June 30,

2018	2017	2016	2015	2014
\$ 71,358	\$ 74,439	\$ 67,027	\$ 69,552	\$ 62,844
170,402	171,196	157,243	143,717	124,292
(35,897)	(159,035)	22,381	34,723	133,531
0	61,268	0	0	0
<u>(112,374)</u>	<u>(41,702)</u>	<u>(94,340)</u>	<u>(35,884)</u>	<u>(100,872)</u>
93,489	106,166	152,311	212,108	219,795
<u>2,335,197</u>	<u>2,229,031</u>	<u>2,076,720</u>	<u>1,864,612</u>	<u>1,644,817</u>
2,428,686	2,335,197	2,229,031	2,076,720	1,864,612
32,432	33,439	10,844	10,710	39,857
43,946	51,068	44,812	44,256	42,311
193,481	237,159	54,082	61,257	281,469
(112,374)	(41,702)	(94,340)	(35,884)	(100,872)
<u>(2,214)</u>	<u>(2,408)</u>	<u>(2,025)</u>	<u>(1,269)</u>	<u>(1,062)</u>
155,271	277,556	13,373	79,070	261,703
<u>2,350,040</u>	<u>2,072,484</u>	<u>2,059,111</u>	<u>1,980,041</u>	<u>1,718,338</u>
<u>2,505,311</u>	<u>2,350,040</u>	<u>2,072,484</u>	<u>2,059,111</u>	<u>1,980,041</u>
<u>\$ (76,625)</u>	<u>\$ (14,843)</u>	<u>\$ 156,547</u>	<u>\$ 17,609</u>	<u>\$ (115,429)</u>

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

(continued)

June 30, 2022

	Measurement Date at June 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Plan fiduciary net position as a percentage of total net pension liability	106.96%	105.76%	103.50%
Covered employee payroll	\$ 933,433	\$ 929,352	\$ 940,652
Net pension liability(asset) as a percentage of covered employee payroll	(24.43)%	(16.41)%	(9.64)%

Notes to Changes in Net Pension Liability(Asset)

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of Assumptions

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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.

See the accompanying independent accountants' audit report.

Measurement Date at June 30,				
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
103.15%	100.64%	92.98%	99.15%	106.19%
\$ 878,962	\$ 995,247	\$ 896,239	\$ 885,109	\$ 846,221
(8.72)%	(1.49)%	17.47%	1.99%	(13.64)%

CITY OF ROCKY TOP, TENNESSEE

PENSION CONTRIBUTIONS

	June 30, 2022			
	2022	Year Ended June 30,		2019
		2021	2020	
Actuarially determined contribution	\$ 34,235	\$ 33,417	\$ 33,271	\$ 34,710
Contributions in relation to the actuarially determined contribution	<u>(34,235)</u>	<u>(34,444)</u>	<u>(34,293)</u>	<u>(34,710)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ (1,027)</u>	<u>\$ (1,022)</u>	<u>\$ 0</u>
Covered employee payroll	\$1,020,951	\$ 933,433	\$ 929,352	\$ 940,652
Contributions as a percentage of covered employee payroll	3.35%	3.69%	3.69%	3.69%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determined 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% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25%

See the accompanying independent accountants' audit report.

Year Ended June 30,				
2018	2017	2016	2015	2014
\$ 32,434	\$ 33,439	\$ 10,844	\$ 10,710	\$ 39,857
<u>(32,434)</u>	<u>(33,439)</u>	<u>(10,844)</u>	<u>(10,710)</u>	<u>(39,857)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 878,912	\$ 995,202	\$ 896,239	\$ 885,109	\$ 846,221
3.69%	3.36%	1.21%	1.21%	4.71%

Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

CITY OF ROCKY TOP, TENNESSEE

INVESTMENTS

June 30, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund - Certificate of Deposit</u>			
SunTrust Bank #3131212557-360000311	0.01%	4/11/23	\$ <u>14,218</u>
<u>Water and Sewer Fund - Certificates of Deposit</u>			
SunTrust Bank #3131086864-6088	0.01%	6/24/23	\$ 59,465
#15471005259-1	0.10	12/14/24	<u>100,000</u>
			<u>\$ 159,465</u>

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2022

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2021</u>
2022	\$ 2.00	\$ 30,097,142	\$ 601,943	\$ 0
2021	2.00	33,365,186	667,304	655,366
2020	2.00	32,768,312	655,366	60,431
2019	2.00	26,482,671	529,653	25,792
2018	2.00	24,313,027	486,261	11,780
2017	2.00	24,976,065	492,106	8,412
2016	2.00	24,589,853	486,327	7,764
2015	1.60	25,095,225	401,524	4,487
2014	1.60	24,033,352	384,524	1,770
2013	1.60	24,889,926	419,794	6,488
2012	1.60	26,126,734	418,028	1,564
2011	1.60	22,013,549	352,217	<u>1,662</u>
				<u>\$ 785,517</u>

Property taxes unpaid for 2011 through 2020 have been filed with the Anderson County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2022</u>
\$ 601,943	\$ 0	\$ 0	\$ 601,943
0	(619)	601,509	53,238
0	0	36,021	24,410
0	0	10,440	15,353
0	0	4,751	7,030
0	0	1,607	6,805
0	0	1,435	6,329
0	0	671	3,817
0	0	539	1,231
0	0	1,435	5,053
0	0	0	1,564
<u>0</u>	<u>0</u>	<u>1,662</u>	<u>0</u>
<u>\$ 601,943</u>	<u>\$ (619)</u>	<u>\$ 660,069</u>	<u>\$ 726,772</u>

CITY OF ROCKY TOP, TENNESSEE
LONG-TERM DEBT REQUIREMENTS

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
General Obligation Capital Outlay Notes, Series 2015			
Year Ending June 30:			
2023	\$ 10,500	\$ 1,704	\$ 12,204
2024	10,500	1,497	11,997
2025	11,000	1,281	12,281
2026	11,500	1,054	12,554
2027	12,000	818	12,818
	<u>\$ 55,500</u>	<u>\$ 6,353</u>	<u>\$ 61,853</u>
TN Municipal Bond Fund Equipment Capitalization Outlay Extension Note, Series 2021			
Year Ending June 30:			
2023	\$ 11,200	\$ 1,380	\$ 12,580
2024	44,000	1,100	45,100
	<u>\$ 55,200</u>	<u>\$ 2,480</u>	<u>\$ 57,680</u>

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Capital Outlay Refunding Note, Series 2021			
Year Ending <u>June 30:</u>			
2023	\$ 11,500	\$ 3,288	\$ 14,788
2024	11,300	2,987	14,287
2025	11,700	2,684	14,384
2026	12,200	2,368	14,568
2027	12,600	2,041	14,641
2028	13,100	1,701	14,801
2029	13,700	1,348	15,048
2030	14,200	979	15,179
2031	14,700	598	15,298
2032	15,300	202	15,502
	<u>\$ 130,300</u>	<u>\$ 18,196</u>	<u>\$ 148,496</u>

Business-Type Activities:

State of Tennessee Rural Development Loan

Year Ending <u>June 30:</u>			
2023	\$ 4,648	\$ 6,176	\$ 10,824
2024	4,856	5,968	10,824
2025	5,072	5,752	10,824
2026	5,299	5,525	10,824
2027	5,535	5,289	10,824
2028	5,782	5,042	10,824
2029	6,040	4,784	10,824
2030	6,310	4,514	10,824
2031	6,591	4,233	10,824
2032	6,885	3,939	10,824

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee Rural Development Loan (continued)			
<u>Year Ending</u> <u>June 30:</u>			
2033	7,193	3,631	10,824
2034	7,514	3,310	10,824
2035	7,849	2,975	10,824
2036	8,199	2,625	10,824
2037	8,565	2,259	10,824
2038	8,947	1,877	10,824
2039	9,347	1,477	10,824
2040	9,764	1,060	10,824
2041	10,199	625	10,824
2042	9,522	171	9,693
	<u>\$ 144,117</u>	<u>\$ 71,232</u>	<u>\$ 215,349</u>

State Revolving Fund Loan 2018-418

<u>Year Ending</u> <u>June 30:</u>			
2023	\$ 86,244	\$ 1,368	\$ 87,612
2024	86,676	936	87,612
2025	87,120	492	87,612
2026	50,769	171	50,940
	<u>\$ 310,809</u>	<u>\$ 2,967</u>	<u>\$ 313,776</u>

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2022

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<u>Governmental Activities</u>			
General Obligation Capital Outlay Notes, Series 2015 Tennessee Municipal Bond Fund Equipment Capitalization	\$ 118,000	2.490 %	6/30/2015
Outlay Extension Note, Series 2021	66,400	2.500	3/1/2021
General Obligation Capital Outlay Refunding Note, Series 2021	141,400	2.640	1/29/2021
<u>Business-Type Activities</u>			
State of Tennessee CWSRF Loan #2018-418	178,788	0.500	6/30/2019
State of Tennessee Rural Development Loan	200,000	4.375	6/30/2004

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2021</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2022</u>
6/30/2027	\$ 65,500	\$ 0	\$ 10,000	\$ 0	\$ 55,500
6/30/2024	66,400	0	11,200	0	55,200
6/30/2032	<u>141,400</u>	<u>0</u>	<u>11,100</u>	<u>0</u>	<u>130,300</u>
	<u>273,300</u>	<u>0</u>	<u>32,300</u>	<u>0</u>	<u>241,000</u>
6/30/2026	396,921	0	86,112	0	310,809
6/30/2042	<u>147,855</u>	<u>0</u>	<u>3,738</u>	<u>0</u>	<u>144,117</u>
	<u>544,776</u>	<u>0</u>	<u>89,850</u>	<u>0</u>	<u>454,926</u>
	<u>\$ 818,076</u>	<u>\$ 0</u>	<u>\$ 122,150</u>	<u>\$ 0</u>	<u>\$ 695,926</u>

CITY OF ROCKY TOP, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2022

<u>Federal Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Transportation/ Tennessee Department of Transportation	20.205	01LPLM-S0-055	\$ 12,171
U.S. Department of Agriculture	10.766	N/A	250,000
U.S. Department of Treasury/ Tennessee Department of Finance and Administration	21.027	N/A	47,831
U.S. Department of Transportation/ Tennessee Department of Transportation Governor's Highway Safety Office	20.607	Z-22-THS-241	<u>1,775</u>
Total Federal Awards			311,777
<u>State Financial Assistance</u>			
Tennessee Department of Finance	N/A	N/A	34,409
Tennessee Department of Transportation	N/A	01SAB1-S3-005	<u>303,133</u>
Total State Financial Assistance			<u>337,542</u>
Total Federal Awards and State Financial Assistance			<u>\$ 649,319</u>

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

(continued)

Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Rocky Top, Tennessee under programs of the federal and state government for the year ended June 30, 2022. The schedule is presented using the accrual basis of accounting. Because this schedule presents only a selected portion of the operations of City of Rocky Top, Tennessee, it is not intended and does not present the net position or changes in net position of City of Rocky Top, Tennessee.

OTHER INFORMATION

CITY OF ROCKY TOP, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2022

WATER

Inside City limits:

First 1,500 gallons (minimum billing)	\$ 18.62
Over 1,500 gallons (per thousand)	10.52

Outside City limits:

First 1,500 gallons (minimum billing)	31.20
Over 1,500 gallons (per thousand)	16.40

Tap fee ranges from \$800.00 to \$2,000.00
(depending on size of tap)

SEWER

Sewer is billed at 100% of the water charges billed during the month.

Tap fee ranges from \$900.00 to \$3,000.00
(depending on size of tap)

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2022

SOLID WASTE

Residential	\$ 17.00
Commercial	42.00

METERED CUSTOMERS

Water	779
Sewer	732
Solid Waste	615

CITY OF ROCKY TOP, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2022

Timothy Sharp, Mayor
Mac Bunch, Council Member
Zack Green, Council Member
Richard Dawson, Council Member
Jeff Gilliam, Council Member
Michael Foster, City Manager
Kari Bates, City Recorder, CMFO

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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*

City Council
City of Rocky Top, Tennessee
Rocky Top, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, business-type activities and each major fund of City of Rocky Top, Tennessee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Rocky Top, Tennessee's basic financial statements, and have issued our report thereon dated December 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Rocky Top, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rocky Top, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Rocky Top, 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 City of Rocky Top, Tennessee's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Mitchell Emert + Hill

December 28, 2022

CITY OF ROCKY TOP, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2022

There were no prior year findings reported.