

Financial Statements

CITY OF ROCKY TOP, TENNESSEE

Year Ended June 30, 2023

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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, 2023, 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, 2023, 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 of America. 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 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 February 28, 2024 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

February 28, 2024

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, 2023**

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, 2023. 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, 2023 was \$9,145,384 (\$9,346,482 in 2022).
- The City's net position decreased by \$201,097 during the year ended June 30, 2023 (increased by \$890,383 in 2022).
- At June 30, 2023 the City's governmental funds reported combined ending fund balances of \$1,253,134, a decrease of \$202,811 for the year ended June 30, 2023. 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. As of June 30, 2023 \$2,986,528 (\$1,346,325 in 2022) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2023 the unassigned general fund balance was \$2,986,528 (\$1,346,325 in 2022) or 132 percent (48 percent in 2022) 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, 2023 the City's net position was \$9,145,384 (\$9,346,482 in 2022).

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>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 4,163,659	\$ 4,248,631
Other assets	0	228,000
Capital assets, net of accumulated depreciation	<u>6,723,021</u>	<u>6,676,871</u>
	10,886,680	11,153,502
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>481,485</u>	<u>449,452</u>
	<u>\$ 11,368,165</u>	<u>\$ 11,602,955</u>
LIABILITIES		
Current liabilities	\$ 417,878	\$ 347,374
Noncurrent liabilities	<u>602,714</u>	<u>571,834</u>
	1,020,593	919,208
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	634,650	601,943
Deferred grant revenue	478,538	215,354
Deferred inflows related to pension	<u>88,999</u>	<u>519,968</u>
	1,202,187	1,337,264
NET POSITION		
Net investment in capital assets	6,151,188	5,980,946
Restricted	87,979	305,514
Unrestricted	<u>2,906,217</u>	<u>3,060,022</u>
	<u>9,145,384</u>	<u>9,346,482</u>
	<u>\$ 11,368,165</u>	<u>\$ 11,602,955</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>2023</u>	<u>2022</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,439,067	\$ 1,503,636
Operating grants and contributions	85,666	499,388
Capital grants and contributions	41,020	317,679
General Revenue:		
Taxes	1,459,202	1,493,062

	<u>2023</u>	<u>2022</u>
Intergovernmental	228,382	215,018
Interest income	267	3,525
Insurance recoveries	97,384	68,583
Miscellaneous	<u>4,224</u>	<u>7,199</u>
	3,355,212	4,108,090
EXPENSES		
General government	806,503	736,713
Public safety	812,834	773,922
Public welfare	90,655	83,452
Public works	307,724	203,270
Streets and highways	121,064	87,141
Water and sewer	<u>1,417,529</u>	<u>1,333,209</u>
	<u>3,556,309</u>	<u>3,217,707</u>
Change in net position	(201,097)	890,383
Net position at the beginning of the year	<u>9,346,482</u>	<u>8,456,098</u>
Net position at the end of the year	<u>\$ 9,145,384</u>	<u>\$ 9,346,482</u>

Governmental Activities - During the year ended June 30, 2023, governmental activities decreased the City's net position by \$201,097 (increased by \$877,465 in 2022) mostly due to a decrease in operating grants and an increase in employee salaries and purchases of various operating supplies.

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, 2023, business-type activities decreased the City's net position by \$170,477 (increased by \$12,918 in 2022). The difference in the current year's result compared to the prior year was primarily due to an increase in repairs and maintenance expense compared to prior year.

Capital Assets

The City's investment in capital assets as of June 30, 2023 was \$6,723,021 (\$6,676,871 in 2022) net of accumulated depreciation.

	<u>2023</u>	<u>2022</u>
Land	\$ 405,681	\$ 405,681
Land improvements	9,283	9,283
Construction in process	348,329	44,365
Buildings	1,609,728	1,599,878
Water distribution system	2,748,784	2,748,784

	<u>2023</u>	<u>2022</u>
Sewer collection system	8,470,627	8,470,627
Vehicles and equipment	2,856,594	2,579,578
Infrastructure	553,763	553,763
Accumulated depreciation	<u>(10,279,766)</u>	<u>(9,735,087)</u>
	<u>\$ 6,723,021</u>	<u>\$ 6,676,871</u>

The major capital asset additions during the year ended June 30, 2023 were as follows:

Building	\$ 9,850
Vehicles and equipment	320,194
Construction in process	<u>303,963</u>
	<u>\$ 634,007</u>

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

Debt Administration

At June 30, 2023 the City's governmental funds had outstanding debt of \$207,800 (\$241,000 in 2022) consisting of the following:

	<u>2023</u>	<u>2022</u>
Notes payable	\$ 207,800	\$ 241,000
Less: current portion due	<u>(65,800)</u>	<u>(33,200)</u>
Total long-term debt-principal	<u>\$ 142,000</u>	<u>\$ 207,800</u>

During the year ended June 30, 2023, the City retired \$33,200 (\$32,300 in 2022) of its governmental funds debt.

At June 30, 2023 the City's proprietary fund had outstanding debt of \$364,034 (\$454,926 in 2022) consisting of the following:

	<u>2023</u>	<u>2022</u>
Notes payable	\$ 224,565	\$ 310,809
RDA loans	<u>139,469</u>	<u>144,117</u>
Total debt-principal	364,034	454,926
Less: current portion due	<u>(91,532)</u>	<u>(90,892)</u>
Total long-term debt-principal	<u>\$ 272,502</u>	<u>\$ 364,034</u>

During the year ended June 30, 2023, the City retired \$90,892 (\$89,850 in 2022) 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 decreased by \$213,277 during the year ended June 30, 2023 (increased by \$367,962 in 2022).

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 \$1,451,120 during the year ended June 30, 2023 and \$1,609,587 during the year ended June 30, 2022.

Fund Budgetary Highlights

During the year ended June 30, 2023, final amended budgeted revenue and expenditures of the state street aid fund and drug fund did not change from the original budgeted revenue and expenditures.

During the year ended June 30, 2023, final amended budgeted revenue of the general fund did not change from the original budgeted revenue. Final amended budgeted expenditures increased approximately \$22,668 from original budgeted expenditures mostly due to a increased budgeted amounts for capital outlay and professional services.

Economic Factors and Next Year's Budgets and Rates

The City Council approved the budget for the year ending June 30, 2024. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2023.

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:

Amanda Daugherty, 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, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 669,150	\$ 2,084,792	\$ 2,753,942
Certificates of deposit	14,220	159,477	173,697
Accounts receivable, net of allowance for uncollectible accounts	0	187,623	187,623
Property taxes receivable	767,240	0	767,240
Due from other governments	48,642	0	48,642
Other taxes receivable	121,423	0	121,423
Grant receivable	1,614	15,709	17,323
Internal balances	931,102	(931,102)	0
Prepaid expenses	38,090	23,902	61,992
Materials and supplies	0	31,776	31,776
Capital assets not being depreciated	337,273	416,737	754,010
Capital assets being depreciated, net of accumulated depreciation	<u>1,943,097</u>	<u>4,025,915</u>	<u>5,969,012</u>
	4,871,851	6,014,829	10,886,680
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>368,753</u>	<u>112,732</u>	<u>481,485</u>
	<u>\$ 5,240,604</u>	<u>\$ 6,127,561</u>	<u>\$ 11,368,165</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 19,663	\$ 110,480	\$ 130,143
Sales tax payable	0	5,622	5,622
Accrued salaries	72,906	16,123	89,029
Customer deposits	0	35,752	35,752
Net pension liability	140,246	47,966	188,212
Current portion of long-term debt	65,800	91,532	157,332
Long-term debt, net of current portion	<u>142,000</u>	<u>272,502</u>	<u>414,502</u>
	440,615	579,978	1,020,593
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	634,650	0	634,650
Deferred grant revenue	478,538	0	478,538
Deferred inflows related to pension	<u>71,154</u>	<u>17,845</u>	<u>88,999</u>
	1,184,342	17,845	1,202,187
NET POSITION			
Net investment in capital assets	2,072,570	4,078,618	6,151,188
Restricted:			
Drug enforcement	7,668	0	7,668
Street improvement	80,311	0	80,311
Unrestricted	<u>1,455,097</u>	<u>1,451,120</u>	<u>2,906,217</u>
	<u>3,615,646</u>	<u>5,529,738</u>	<u>9,145,384</u>
	<u>\$ 5,240,604</u>	<u>\$ 6,127,561</u>	<u>\$ 11,368,165</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<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	\$ 806,503	\$ 39,926	\$ 9,333	\$ 0
Public safety	812,834	32,489	11,161	0
Public welfare	90,655	3,650	14,177	0
Streets and highways	121,064	0	56,556	19,750
Public works	<u>307,724</u>	<u>137,046</u>	<u>0</u>	<u>0</u>
Total governmental activities	2,138,780	213,111	91,227	19,750
Business-Type Activities:				
Water and sewer	<u>1,417,529</u>	<u>1,225,956</u>	<u>0</u>	<u>15,709</u>
	<u>\$ 3,556,309</u>	<u>\$ 1,439,067</u>	<u>\$ 91,227</u>	<u>\$ 35,459</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (757,244)	\$ 0	\$ (757,244)
(769,184)	0	(769,184)
(72,828)	0	(72,828)
(44,758)	0	(44,758)
(170,678)	0	(170,678)
(1,814,692)	0	(1,814,692)
0	(175,864)	(175,864)
\$ (1,814,692)	\$ (175,864)	\$ (1,990,556)

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2023

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
\$ (1,814,692)	\$ (175,864)	\$ (1,990,556)
603,279	0	603,279
22,151	0	22,151
22,683	0	22,683
562,023	0	562,023
33,420	0	33,420
68,831	0	68,831
90,348	0	90,348
36,880	0	36,880
19,587	0	19,587
228,382	0	228,382
138	129	267
92,126	5,258	97,384
4,224	0	4,224
<u>1,784,072</u>	<u>5,387</u>	<u>1,789,459</u>
(30,620)	(170,477)	(201,097)
<u>3,646,267</u>	<u>5,700,215</u>	<u>9,346,482</u>
<u>\$ 3,615,646</u>	<u>\$ 5,529,738</u>	<u>\$ 9,145,384</u>

CITY OF ROCKY TOP, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 608,364	\$ 53,119	\$ 7,668	\$ 669,150
Certificates of deposit	14,220	0	0	14,220
Property taxes receivable	767,240	0	0	767,240
Grants receivable	1,614	0	0	1,614
Other taxes receivable	121,423	0	0	121,423
Due from other governments	38,972	9,670	0	48,642
Due from other funds	931,102	17,522	0	948,624
Prepaid expenses	38,090	0	0	38,090
	<u>\$ 2,521,025</u>	<u>\$ 80,311</u>	<u>\$ 7,668</u>	<u>\$ 2,609,003</u>
LIABILITIES				
Accounts payable	\$ 19,663	\$ 0	\$ 0	\$ 19,663
Accrued salaries	72,906	0	0	72,906
Due to other funds	17,522	0	0	17,522
	<u>110,091</u>	<u>0</u>	<u>0</u>	<u>110,091</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	767,240	0	0	767,240
Deferred grant revenue	478,538	0	0	478,538
	<u>1,245,778</u>	<u>0</u>	<u>0</u>	<u>1,245,778</u>
FUND BALANCES				
Nonspendable	38,090	0	0	38,090
Restricted	0	80,311	7,668	87,979
Unassigned	1,127,065	0	0	1,127,065
	<u>1,165,155</u>	<u>80,311</u>	<u>7,668</u>	<u>1,253,134</u>
	<u>\$ 2,521,025</u>	<u>\$ 80,311</u>	<u>\$ 7,668</u>	<u>\$ 2,609,003</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, 2023

Total Fund Balance - Governmental Funds	\$ 1,253,134
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.	2,280,370
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	(140,246)
Deferred outflows of resources	368,753
Deferred inflows of resources	(71,154)
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.	132,590
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(207,800)</u>
Net Position of Governmental Activities	<u>\$ 3,615,646</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, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property tax	\$ 595,518	\$ 0	\$ 0	\$ 595,518
Interest and penalty	22,151	0	0	22,151
In-Lieu of tax payments	22,683	0	0	22,683
Local sales tax	562,023	0	0	562,023
Business tax	33,420	0	0	33,420
Room occupancy tax	68,831	0	0	68,831
Wholesale beer tax	90,348	0	0	90,348
Wholesale liquor tax	36,880	0	0	36,880
Cable TV franchise tax	19,587	0	0	19,587
Intergovernmental	259,293	56,556	0	315,849
Licenses and permits	15,926	0	0	15,926
Charges for services	140,696	0	0	140,696
Fines and forfeitures	28,770	0	3,720	32,490
Other	143,991	6	0	143,997
	<u>2,040,117</u>	<u>56,562</u>	<u>3,720</u>	<u>2,100,399</u>
TOTAL REVENUE	2,040,117	56,562	3,720	2,100,399

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, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES				
Current:				
General government	758,752	0	0	758,752
Public safety	717,383	0	2,108	719,491
Public works	269,679	0	0	269,679
Streets and highways	20,330	47,708	0	68,038
Public welfare	92,186	0	0	92,186
Capital outlay	355,791	0	0	355,791
Debt service	39,273	0	0	39,273
TOTAL EXPENDITURES	<u>2,253,394</u>	<u>47,708</u>	<u>2,108</u>	<u>2,303,210</u>
NET CHANGES IN FUND BALANCES	(213,277)	8,854	1,612	(202,811)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>1,378,433</u>	<u>71,457</u>	<u>6,056</u>	<u>1,455,946</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$1,165,155</u>	<u>\$ 80,311</u>	<u>\$ 7,668</u>	<u>\$1,253,134</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, 2023

Net Changes in Fund Balances	\$ (202,811)
<p>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:</p>	
Acquisition of capital assets	355,791
Depreciation expense	(258,972)
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.</p>	
	59,827
<p>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.</p>	
	(25,416)
<p>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:</p>	
Deferred tax revenue - June 30, 2022	(124,829)
Deferred tax revenue - June 30, 2023	132,590
<p>Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.</p>	
	<u>33,200</u>
Change in Net Position of Governmental Activities	<u>\$ (30,620)</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, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property tax	\$ 545,530	\$ 545,530	\$ 595,518	\$ 49,988
Interest and penalty	18,500	18,500	22,151	3,651
In-Lieu of tax payments	30,497	30,497	22,683	(7,814)
Local sales tax	540,000	540,000	562,023	22,023
Business tax	31,900	31,900	33,420	1,520
Room occupancy tax	60,000	60,000	68,831	8,831
Wholesale beer tax	92,000	92,000	90,348	(1,652)
Wholesale liquor tax	33,900	33,900	36,880	2,980
Cable TV franchise tax	20,000	20,000	19,587	(413)
	<u>1,372,327</u>	<u>1,372,327</u>	<u>1,451,442</u>	<u>79,114</u>
Intergovernmental:				
Corporate excise tax	4,691	4,691	4,691	0
State beer tax	750	750	743	(7)
State sales tax	193,700	193,700	196,590	2,890
Telecommunications tax	1,628	1,628	3,302	1,674
T.V.A. In-Lieu of tax payments	19,536	19,536	20,074	538
City streets and transportation funds	2,980	2,980	2,982	2
Governor's Highway Safety Grant	5,600	5,600	5,600	0
Direct appropriation grant	34,409	34,409	0	(34,409)
Other grants	7,251	7,251	5,561	(1,690)
Sidewalk grant	20,000	20,000	19,750	(250)
ARPA grant	263,185	263,185	0	(263,185)
Bridge grant	295,237	295,237	0	(295,237)
	<u>848,967</u>	<u>848,967</u>	<u>259,293</u>	<u>(589,674)</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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Licenses and permits:				
Beer licenses	2,675	2,675	2,925	250
Building permits	10,300	10,300	13,001	2,701
	<u>12,975</u>	<u>12,975</u>	<u>15,926</u>	<u>2,951</u>
Charges for services:				
Parks and recreation charges	6,000	6,000	3,650	(2,350)
Sanitation charges	135,284	135,284	137,046	1,762
	<u>141,284</u>	<u>141,284</u>	<u>140,696</u>	<u>(588)</u>
Fines and forfeitures	22,330	22,330	28,770	6,440
Other revenue:				
Contributions	21,116	21,116	23,510	2,394
Miscellaneous revenue	4,913	4,913	4,356	(557)
Contributions from emergency communications district	62,300	62,300	0	(62,300)
Insurance recoveries	100,000	100,000	92,126	(7,874)
Rent	24,000	24,000	24,000	0
	<u>212,329</u>	<u>212,329</u>	<u>143,991</u>	<u>(68,339)</u>
TOTAL REVENUE	2,610,212	2,610,212	2,040,117	(570,096)
EXPENDITURES				
Legislative:				
Salaries and wages	3,600	3,600	3,550	(50)
Employee education and training	1,000	1,000	0	(1,000)
Public relations	4,000	4,000	2,163	(1,837)
Subscriptions	4,000	4,000	4,440	440
Legal services	0	0	3,648	3,648
	<u>12,600</u>	<u>12,600</u>	<u>13,801</u>	<u>1,201</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, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Judicial:				
Salaries and wages	3,600	3,600	1,200	(2,400)
Court costs	16,520	16,520	15,197	(1,323)
	<u>20,120</u>	<u>20,120</u>	<u>16,397</u>	<u>(3,723)</u>
Financial administration:				
Salaries and wages	104,930	104,930	131,310	26,380
Retirement	0	0	8,907	8,907
Employee education and training	4,000	4,000	1,775	(2,225)
Dues and subscriptions	500	500	477	(23)
Travel	4,000	4,000	4,198	198
Operating supplies	1,150	1,150	2,114	964
	<u>114,580</u>	<u>114,580</u>	<u>148,781</u>	<u>34,201</u>
General government buildings:				
Codes administration	21,350	21,350	18,860	(2,490)
Retirement	65	65	0	(65)
Employee education and training	500	500	350	(150)
Utilities	41,500	41,500	45,653	4,153
Telephone	16,000	16,000	17,606	1,606
Professional services	300	300	8,158	7,858
Repairs and maintenance	1,000	1,000	347	(653)
Operating supplies	2,500	8,511	9,078	567
	<u>83,215</u>	<u>89,226</u>	<u>100,052</u>	<u>10,826</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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other general government:				
OASDI	80,000	80,000	67,994	(12,006)
Hospital and health insurance	272,502	272,502	243,041	(29,461)
Workers' compensation	28,000	28,000	36,365	8,365
Office supplies	2,500	2,500	1,205	(1,295)
Professional services	36,838	45,921	49,756	3,835
Unemployment insurance	488	488	478	(10)
Liability insurance	40,000	40,000	40,385	385
Dispatch services	45,000	45,000	33,750	(11,250)
Miscellaneous	4,500	4,500	4,335	(165)
ARPA purchases - salaries and furniture	18,185	18,185	0	(18,185)
Bank charges	3,877	3,877	2,413	(1,464)
	<u>531,890</u>	<u>540,973</u>	<u>479,722</u>	<u>(61,251)</u>
Police department:				
Salaries and wages	464,671	464,671	433,595	(31,076)
Retirement	34,851	34,851	30,607	(4,244)
Training and travel	8,000	8,000	13,136	5,136
Dues and subscriptions	600	600	797	197
Data processing services	16,800	16,800	2,091	(14,709)
Repairs and maintenance	6,692	6,692	375	(6,317)
Operating supplies	2,000	2,000	415	(1,585)
Office supplies	100	100	167	67
Small items of equipment	9,450	9,450	6,791	(2,659)
Uniforms	4,800	4,800	6,372	1,572
Firearms supplies	800	800	800	0
Gasoline and oil	30,000	30,000	24,015	(5,985)
Vehicle maintenance	4,000	4,000	12,950	8,950
	<u>582,764</u>	<u>582,764</u>	<u>532,111</u>	<u>(50,653)</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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Fire department:				
Salaries and wages	139,520	139,520	151,079	11,559
Retirement	10,464	10,464	8,885	(1,579)
Training	1,000	1,000	475	(525)
Volunteer firemen	8,320	8,320	9,814	1,494
Uniforms	1,500	1,500	1,582	82
Insurance	1,500	1,500	151	(1,349)
Office supplies	2,700	2,700	2,364	(336)
Travel	1,000	1,000	0	(1,000)
Operating supplies	2,000	2,000	1,848	(152)
Small items of equipment	2,000	2,000	953	(1,047)
Gas, oil and grease	5,000	5,000	3,791	(1,209)
Vehicle maintenance	10,000	10,000	4,330	(5,670)
	<u>185,004</u>	<u>185,004</u>	<u>185,272</u>	<u>268</u>
Streets and highways:				
Machinery and equipment	0	0	6,039	6,039
Repair and maintenance	0	0	10,727	10,727
Operating supplies	0	0	3,565	3,565
	<u>0</u>	<u>0</u>	<u>20,330</u>	<u>20,331</u>
Public works:				
Salaries and wages	143,269	143,269	127,078	(16,191)
Retirement	10,745	10,745	8,666	(2,079)
Uniforms	2,000	2,000	2,130	130
Professional services	100	100	1,336	1,236
Repair and maintenance	4,036	4,036	53,989	49,953
Office expense	0	0	180	180
Operating supplies	934,918	934,918	58,734	(876,184)
Gas, oil and grease	14,000	14,000	17,566	3,566
	<u>1,109,068</u>	<u>1,109,068</u>	<u>269,679</u>	<u>(839,389)</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, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Recreation:				
Salaries and wages	34,860	34,860	36,784	1,924
Retirement	2,615	2,615	2,725	110
Uniforms	150	150	182	32
Professional services	500	500	1,425	925
Repairs and maintenance	18,950	18,950	7,615	(11,335)
Gasoline and oil	2,500	2,500	1,254	(1,246)
Small items of equipment	2,000	2,000	391	(1,609)
Operating supplies	6,500	6,500	7,910	1,410
Vehicle maintenance	1,000	1,000	392	(608)
	<u>69,075</u>	<u>69,075</u>	<u>58,677</u>	<u>(10,398)</u>
Tourism:				
Fourth of July event	15,000	15,000	7,650	(7,350)
Fireworks	5,000	5,000	1,984	(3,016)
	<u>20,000</u>	<u>20,000</u>	<u>9,634</u>	<u>(10,366)</u>
Libraries:				
Operating supplies	1,000	1,000	6,219	5,219
Anderson County Library Board	17,665	17,665	17,656	(9)
	<u>18,665</u>	<u>18,665</u>	<u>23,875</u>	<u>5,210</u>
Capital outlay	326,440	334,015	355,791	21,776
Debt service	33,200	33,200	39,273	6,073
TOTAL EXPENDITURES	<u>3,106,622</u>	<u>3,129,290</u>	<u>2,253,394</u>	<u>(875,894)</u>
NET CHANGES IN FUND BALANCE	(496,410)	(519,078)	(213,277)	305,798

CITY OF ROCKY TOP, TENNESSEE

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

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>496,410</u>	<u>519,078</u>	<u>1,378,433</u>	<u>859,355</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,165,155</u>	<u>\$ 1,165,155</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, 2023

	<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	\$ 61,690	\$ 61,690	\$ 56,556	\$ (5,134)
Interest	<u>15</u>	<u>15</u>	<u>6</u>	<u>(9)</u>
TOTAL REVENUE	61,705	61,705	56,562	(5,143)
EXPENDITURES				
Repairs and maintenance	683	683	0	(683)
Bank charges	250	250	0	(250)
Utilities	46,000	46,000	47,708	1,708
Operating supplies	<u>9,132</u>	<u>9,132</u>	<u>0</u>	<u>(9,132)</u>
TOTAL EXPENDITURES	<u>56,065</u>	<u>56,065</u>	<u>47,707</u>	<u>(8,357)</u>
NET CHANGES IN FUND BALANCE	5,640	5,640	8,854	3,214
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>71,457</u>	<u>71,457</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 5,640</u>	<u>\$ 5,640</u>	<u>\$ 80,311</u>	<u>\$ 74,672</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, 2023

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Drug related fines	\$ 36	\$ 36	\$ 3,720	\$ 3,684
Miscellaneous	449	449	0	(449)
	<u>485</u>	<u>485</u>	<u>3,720</u>	<u>3,235</u>
EXPENDITURES				
Operating supplies	2,725	2,725	647	(2,078)
Small items of equipment	0	0	1,461	1,461
	<u>2,725</u>	<u>2,725</u>	<u>2,108</u>	<u>(617)</u>
NET CHANGES IN FUND BALANCE	(2,240)	(2,240)	1,612	3,852
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>2,240</u>	<u>2,240</u>	<u>6,056</u>	<u>3,816</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,668</u>	<u>\$ 7,668</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2023

CURRENT ASSETS

Cash		\$ 2,084,792
Certificates of deposit		159,477
Accounts receivable, net of allowance for uncollectible accounts of \$115,000		187,623
Grant receivable		15,709
Prepaid expenses		23,902
Materials and supplies		<u>31,776</u>
		<u>2,503,279</u>

CAPITAL ASSETS

Construction in process	\$ 278,216	
Land and land rights	138,521	
Equipment	431,967	
Buildings	366,517	
Water distribution system	2,748,784	
Sewer collection system	<u>8,470,626</u>	
	12,434,631	
Accumulated depreciation	<u>(7,991,979)</u>	4,442,652

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>112,732</u>
		<u>\$ 7,058,662</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	110,480	
Sales tax payable		5,622	
Accrued salaries		16,123	
Due to general fund		931,102	
Customer deposits		35,752	
Current portion of long-term debt		<u>91,532</u>	
			<u>1,190,611</u>

LONG-TERM DEBT,

net of current portion			272,502
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NET PENSION LIABILITY

47,966

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension			17,845
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NET POSITION

Net investment in capital assets	\$	4,078,618	
Unrestricted		<u>1,451,120</u>	<u>5,529,738</u>
			<u>\$ 7,058,662</u>

CITY OF ROCKY TOP, TENNESSEE

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

Year Ended June 30, 2023

OPERATING REVENUE

Charges for services	\$ 1,170,405
Other operating revenue	<u>55,551</u>

TOTAL OPERATING REVENUE 1,225,956

OPERATING EXPENSES

Water transmission and distribution:

Water purchased for resale	\$ 191,350	
Salaries	80,515	
Retirement	2,381	
Training	6,218	
Dues and subscriptions	986	
Operating supplies	49,901	
Uniforms	937	
Gasoline and oil	5,427	
Repairs and maintenance	<u>6,956</u>	344,671

Sewer treatment and disposal:

Salaries	122,583	
Retirement	2,315	
Training	564	
Dues and subscriptions	5,140	
Utilities	69,512	
Telephone	3,191	
Repairs and maintenance	36,630	
Rent	24,000	
Landfill service	4,223	
Professional services	9,614	
Office supplies	280	
Operating supplies	104,362	
Clothing and uniforms	<u>529</u>	382,943

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, 2023

General and administrative:		
Salaries	96,477	
Payroll taxes	22,570	
Retirement	2,041	
Training	425	
Hospital and health insurance	97,310	
Professional services	92,737	
Office expenses	8,376	
Unemployment insurance	242	
Insurance	<u>34,212</u>	354,390
Depreciation		<u>321,672</u>
	TOTAL OPERATING EXPENSES	<u>1,403,676</u>
	(LOSS) FROM OPERATIONS	(177,720)
NONOPERATING REVENUE(EXPENSE)		
Interest income	129	
Insurance recovery	5,258	
Loss on disposal of capital assets	(7,213)	
Interest expense	<u>(6,642)</u>	<u>(8,468)</u>
	(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(186,188)
Capital contributions		<u>15,709</u>
	CHANGE IN NET POSITION	(170,479)
NET POSITION AT THE BEGINNING OF THE YEAR		<u>5,700,215</u>
	NET POSITION AT THE END OF THE YEAR	<u>\$ 5,529,738</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2023

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

Cash received from customers		\$ 1,224,485
Cash received from general fund		954,000
Cash paid to suppliers		(846,477)
Cash paid to employees		<u>(203,259)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,128,749

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

Acquisition of capital assets	\$ (278,216)	
Principal payments on long-term debt	(90,892)	
Capital contributions	12,252	
Insurance recovery	5,258	
Interest paid on debt	<u>(6,642)</u>	

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (358,240)

**CASH PROVIDED BY
INVESTING ACTIVITIES**

Increase in certificates of deposit	(12)	
Interest received	<u>129</u>	<u>117</u>

NET INCREASE IN CASH 770,626

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

1,314,165

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

\$ 2,084,792

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, 2023

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

(Loss) from operations		\$ (177,720)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	\$ 321,672	
Deferred retirement contributions	(19,114)	
Pension expense	6,737	
(Increase)decrease in:		
Accounts receivable	5,411	
Prepaid expenses	(3,654)	
Due from other funds	935,961	
Materials and supplies	(20,303)	
Increase in:		
Accounts payable	75,787	
Sales tax payable	1,872	
Customer deposits	2,100	
		<u>1,306,469</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u><u>\$ 1,128,749</u></u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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, 2023 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, 2023

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, 2023

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, 2023.

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, 2023

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, 2023 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 4,568,158
Accumulated depreciation	(2,287,788)
Principal balance on long-term debt	<u>(207,800)</u>
	<u>\$ 2,072,570</u>

Business-Type Activities:

Capital assets	\$ 12,434,631
Accumulated depreciation	(7,991,978)
Principal balance on long-term debt	<u>(364,034)</u>
	<u>\$ 4,078,618</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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. 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. 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, 2023

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, 2023

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, 2023 was as follows:

Proprietary fund	\$ 115,000
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CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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, 2023 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)	668,971	2,084,592	2,753,563
Certificates of deposit	<u>14,220</u>	<u>159,477</u>	<u>173,697</u>
Totals	<u>\$ 683,370</u>	<u>\$ 2,244,269</u>	<u>\$ 2,927,639</u>
Unrestricted assets	<u>\$ 683,370</u>	<u>\$ 2,244,269</u>	<u>\$ 2,927,639</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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, 2023 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, 2023

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 267,160	\$ 0	\$ 0	\$ 267,160
Construction in process	<u>44,365</u>	<u>25,747</u>	<u>0</u>	<u>70,113</u>
	311,525	25,747	0	337,273
<u>Capital assets being depreciated</u>				
Land improvements	9,283	0	0	9,283
Infrastructure	553,763	0	0	553,763
Vehicles and equipment	2,104,434	320,194	0	2,424,628
Buildings	<u>1,233,361</u>	<u>9,850</u>	<u>0</u>	<u>1,243,211</u>
	3,900,841	330,044	0	4,230,885
<u>Accumulated depreciation</u>				
Land improvements	(617)	(928)	0	(1,545)
Infrastructure	(90,120)	(24,080)	0	(114,200)
Vehicles and equipment	(1,079,737)	(198,115)	0	(1,277,852)
Buildings	<u>(858,342)</u>	<u>(35,849)</u>	<u>0</u>	<u>(894,191)</u>
	<u>(2,028,816)</u>	<u>(258,972)</u>	<u>0</u>	<u>(2,287,788)</u>
	<u>\$ 2,183,551</u>	<u>\$ 96,819</u>	<u>\$ 0</u>	<u>\$ 2,280,370</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

General government	\$ 46,794
Public safety	115,997
Public welfare	33,694
Streets and highways	53,026
Solid waste	<u>9,460</u>
	<u>\$ 258,972</u>

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Business-Type Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 138,521	\$ 0	\$ 0	\$ 138,521
Construction in process	<u>0</u>	<u>278,216</u>	<u>0</u>	<u>278,216</u>
	138,521	278,216	0	416,737
<u>Capital assets being depreciated</u>				
Buildings	366,517	0	0	366,517
Vehicles and equipment	475,144	0	(43,178)	431,966
Water distribution plant	2,748,784	0	0	2,748,784
Sewer collection plant	<u>8,470,626</u>	<u>0</u>	<u>0</u>	<u>8,470,626</u>
	12,061,072	0	(43,178)	12,017,893
<u>Accumulated depreciation</u>				
Buildings	(236,666)	(11,859)	0	(248,525)
Vehicles and equipment	(360,852)	(40,248)	35,965	(365,135)
Water distribution plant	(1,069,074)	(90,273)	0	(1,159,346)
Sewer collection plant	<u>(6,039,679)</u>	<u>(179,293)</u>	<u>0</u>	<u>(6,218,972)</u>
	<u>(7,706,271)</u>	<u>(321,672)</u>	<u>35,965</u>	<u>(7,991,978)</u>
	<u>\$ 4,493,321</u>	<u>\$ (43,456)</u>	<u>\$ (7,213)</u>	<u>\$ 4,442,653</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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, 2023

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, 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	22
Active employees	<u>22</u>
	<u>55</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, 2023, employer contributions for the City were \$78,941 based on a rate of 7.47% 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, 2022, 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, 2022 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, 2023

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

The actuarial assumptions used in the June 30, 2022 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.

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, 2023

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, 2022:			
Increase(decrease):			
Service cost	\$ 79,625	\$ 0	\$ 79,625
Interest	221,331	0	221,331
Differences between expected and actual experience	69,032	0	69,032
Contributions - employer	0	37,673	(37,673)
Contributions - employees	0	51,048	(51,048)
Net investment income	0	(132,773)	132,773
Benefit payments, including refunds of employee contributions	(156,165)	(156,165)	0
Administrative expense	<u>0</u>	<u>(2,172)</u>	<u>2,172</u>
Net changes for the year ended June 30, 2022	213,823	(202,389)	416,212
Balances at June 30, 2021	<u>3,277,442</u>	<u>3,505,442</u>	<u>(228,000)</u>
Balances at June 30, 2022	<u>\$ 3,491,265</u>	<u>\$ 3,303,053</u>	<u>\$ 188,212</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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:

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current</u> <u>Discount Rate</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
Net pension liability(asset)	\$ 736,589	\$ 188,212	\$ (259,181)

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$35,589.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 159,075	\$ 88,999
Net difference between projected and actual earnings on pension plan investments	6,397	0
Changes in assumptions	237,072	0
Contributions subsequent to the measurement date of June 30, 2022	<u>78,941</u>	<u>not applicable</u>
Totals	<u>\$ 481,485</u>	<u>\$ 88,999</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” 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, 2023

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

<u>Year Ending</u> <u>June 30:</u>	
2024	\$ 19,474
2025	34,420
2026	27,299
2027	147,952
2028	74,544
Thereafter	9,862

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, 2021, 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, 2023.

During the year ended June 30, 2022, the City entered into a contract related to sidewalk improvements totaling \$94,500; \$70,113 has been expended as of June 30, 2023.

During the year ended June 30, 2023, the City entered into contracts related to grant administration and engineering services for the sanitary sewer rehabilitation and wastewater treatment plant projects totaling \$412,065; \$231,856 has been expended as of June 30, 2023.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2023 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	\$ 45,000
Tennessee Municipal Bond Fund Equipment Acquisition Capital Outlay Extension Note, Series 2022, interest at 2.50% with a balloon payment of \$44,000 due in 2024	44,000
General Obligation Capital Outlay Refunding Note, Series 2022, payable in annual installments ranging from \$11,300 to \$15,300 plus interest at 2.640% until maturity in 2032	<u>118,800</u>
	207,800
Less current maturities	<u>(65,800)</u>
	<u>\$ 142,000</u>

Business-Type Activities:

State of Tennessee CWSRF Loan #2018-418, due in varying monthly installments plus interest at .500% until maturity in 2026	\$ 224,565
State of Tennessee Rural Development Loan, due in monthly installments of \$902 including interest at 4.375% until maturity in 2042	<u>139,469</u>
	364,034
Less current maturities	<u>(91,532)</u>
	<u>\$ 272,502</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, 2023

Changes in long-term debt for the year ended June 30, 2023 were as follows:

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/23</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Notes payable	\$ 241,000	\$ 0	\$ (33,200)	\$ 207,800	\$ 65,800
<u>Business-Type Activities:</u>					
Notes payable	\$ 310,809	\$ 0	\$ (86,244)	\$ 224,565	\$ 86,676
Rural Development Loan	144,117	0	(4,648)	139,469	4,856
	<u>\$ 454,926</u>	<u>\$ 0</u>	<u>\$ (90,892)</u>	<u>\$ 364,034</u>	<u>\$ 91,532</u>

Interest costs incurred for the year ended June 30, 2023 were \$12,715.

Maturities of long-term debt as of June 30, 2023 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	<u>15,300</u>	<u>202</u>	<u>15,502</u>
	<u>\$ 207,800</u>	<u>\$ 20,657</u>	<u>\$ 228,457</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS
(continued)

June 30, 2023

Business-Type Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 364,034</u>	<u>\$ 66,655</u>	<u>\$ 430,689</u>

NOTE I – INTERFUND BALANCES

Amounts due from the general fund to the state street aid fund totaling \$17,522 were the result of state street aid tax revenue amounts deposited into the general fund not being remitted to the state street aid fund as of June 30, 2023. Also, sanitation charges billed by the water and sewer fund totaling \$931,102 were due to the general fund, but these funds were not remitted to the general fund as of June 30, 2023. There were funds transferred in error to the water and sewer fund from the general fund which were not transferred back to the general fund as of June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2023

	Measurement Date at June 30,		
	2022	2021	2020
<u>Total pension liability</u>			
Service cost	\$ 79,625	\$ 77,151	\$ 71,794
Interest	221,331	194,126	189,693
Differences between actual and expected experience	69,032	133,126	(112,040)
Changes of assumptions	0	319,650	0
Benefit payments, including refunds of employee contributions	(156,165)	(94,109)	(93,216)
Net change in total pension liability	213,823	629,944	56,231
Total pension liability - beginning	3,277,442	2,647,498	2,591,267
Total pension liability - ending (a)	3,491,265	3,277,442	2,647,498
<u>Plan fiduciary net position</u>			
Contributions - employer	37,673	34,444	34,293
Contributions - employee	51,048	46,672	46,468
Net investment income	(132,773)	720,386	132,664
Benefit payments, including refunds of employee contributions	(156,165)	(94,109)	(93,216)
Administrative expense	(2,172)	(1,948)	(2,144)
Net change in plan fiduciary net position	(202,389)	705,445	118,065
Plan fiduciary net position - beginning	3,505,442	2,799,997	2,681,932
Plan fiduciary net position - ending (b)	3,303,053	3,505,442	2,799,997
Net pension liability(asset) - ending (a) - (b)	\$ 188,212	\$ (228,000)	\$ (152,499)

See the accompanying independent accountants' audit report.

2019	2018	Measurement Date at June 30,		2015	2014
		2017	2016		
\$ 62,945	\$ 71,358	\$ 74,439	\$ 67,027	\$ 69,552	\$ 62,844
177,416	170,402	171,196	157,243	143,717	124,292
11,239	(35,897)	(159,035)	22,381	34,723	133,531
0	0	61,268	0	0	0
(89,019)	(112,374)	(41,702)	(94,340)	(35,884)	(100,872)
162,581	93,489	106,166	152,311	212,108	219,795
2,428,686	2,335,197	2,229,031	2,076,720	1,864,612	1,644,817
2,591,267	2,428,686	2,335,197	2,229,031	2,076,720	1,864,612
34,710	32,432	33,439	10,844	10,710	39,857
47,033	43,946	51,068	44,812	44,256	42,311
186,188	193,481	237,159	54,082	61,257	281,469
(89,019)	(112,374)	(41,702)	(94,340)	(35,884)	(100,872)
(2,291)	(2,214)	(2,408)	(2,025)	(1,269)	(1,062)
176,621	155,271	277,556	13,373	79,070	261,703
2,505,311	2,350,040	2,072,484	2,059,111	1,980,041	1,718,338
2,681,932	2,505,311	2,350,040	2,072,484	2,059,111	1,980,041
<u>\$ (90,665)</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, 2023

	Measurement Date at June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Plan fiduciary net position as a percentage of total net pension liability	94.61%	106.96%	105.76%
Covered employee payroll	\$ 1,020,951	\$ 933,433	\$ 929,352
Net pension liability(asset) as a percentage of covered employee payroll	(18.43)%	(24.43)%	(16.41)%

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.

Measurement Date at June 30,					
2019	2018	2017	2016	2015	2014
103.50%	103.15%	100.64%	92.98%	99.15%	106.19%
\$ 940,652	\$ 878,962	\$ 995,247	\$ 896,239	\$ 885,109	\$ 846,221
(9.64)%	(8.72)%	(1.49)%	17.47%	1.99%	(13.64)%

CITY OF ROCKY TOP, TENNESSEE

PENSION CONTRIBUTIONS

	June 30, 2023			
	2023	Year Ended June 30,		2020
	<u>2022</u>	<u>2021</u>		
Actuarially determined contribution	\$ 78,941	\$ 36,550	\$ 33,417	\$ 33,271
Contributions in relation to the actuarially determined contribution	<u>(78,941)</u>	<u>(37,673)</u>	<u>(34,444)</u>	<u>(34,293)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ (1,123)</u>	<u>\$ (1,027)</u>	<u>\$ (1,022)</u>
Covered employee payroll	\$1,057,388	\$1,020,951	\$ 933,433	\$ 929,352
Contributions as a percentage of covered employee payroll	7.47%	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, 2023 were calculated based on the June 30, 2021 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	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	6.75%, 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	2.125%

See the accompanying independent accountants' audit report.

2019	2018	Year Ended June 30,		2015	2014
2019	2018	2017	2016	2015	2014
\$ 34,710	\$ 32,434	\$ 33,439	\$ 10,844	\$ 10,710	\$ 39,857
<u>(34,710)</u>	<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>	<u>\$ 0</u>
\$ 940,652	\$ 878,912	\$ 995,202	\$ 896,239	\$ 885,109	\$ 846,221
3.69%	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, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>General Fund - Certificate of Deposit</u>			
SunTrust Bank #3131212557-360000311	0.01%	3/11/24	<u>\$ 14,220</u>
<u>Water and Sewer Fund - Certificates of Deposit</u>			
SunTrust Bank #3131086864-6088	3.85%	12/27/23	\$ 59,477
#15471005259-1	0.01	12/14/24	<u>100,000</u>
			<u>\$ 159,477</u>

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2023

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2022</u>
2023	\$ 2.00	\$ 31,732,490	\$ 634,650	\$ 0
2022	2.00	30,097,142	601,943	601,943
2021	2.00	33,365,186	667,304	53,238
2020	2.00	32,768,312	655,366	24,410
2019	2.00	26,482,671	529,653	15,353
2018	2.00	24,313,027	486,261	7,030
2017	2.00	24,976,065	492,106	6,805
2016	2.00	24,589,853	486,327	6,329
2015	1.60	25,095,225	401,524	3,817
2014	1.60	24,033,352	384,524	1,231
2013	1.60	24,889,926	419,794	5,053
2012	1.60	26,126,734	418,028	<u>1,564</u>
				<u>\$ 726,772</u>

Property taxes unpaid for 2014 through 2021 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, 2023</u>
\$ 634,650	\$ 0	\$ 0	\$ 634,650
0	1,336	550,766	52,513
0	0	24,807	28,432
0	0	7,458	16,952
0	0	3,195	12,158
0	0	1,128	5,902
0	0	466	6,339
0	0	617	5,713
0	0	278	3,539
0	0	188	1,043
0	0	5,053	0
<u>0</u>	<u>0</u>	<u>1,564</u>	<u>0</u>
<u>\$ 634,650</u>	<u>\$ 1,336</u>	<u>\$ 595,518</u>	<u>\$ 767,240</u>

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
General Obligation Capital Outlay Notes, Series 2015			
<u>Year Ending June 30:</u>			
2024	\$ 10,500	\$ 1,497	\$ 11,997
2025	11,000	1,281	12,281
2026	11,500	1,054	12,554
2027	<u>12,000</u>	<u>818</u>	<u>12,818</u>
	<u>\$ 45,000</u>	<u>\$ 4,649</u>	<u>\$ 49,649</u>
Tennessee Municipal Bond Fund Equipment Capitalization Outlay Extension Note, Series 2021			
<u>Year Ending June 30:</u>			
2024	\$ 44,000	\$ 1,100	\$ 45,100

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Capital Outlay Refunding Note, Series 2021			
Year Ending <u>June 30:</u>			
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>\$ 118,800</u>	<u>\$ 14,908</u>	<u>\$ 133,708</u>

Business-Type Activities:

State of Tennessee Rural Development Loan

Year Ending <u>June 30:</u>			
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, 2023

	<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>\$ 139,469</u>	<u>\$ 65,056</u>	<u>\$ 204,525</u>

State of Tennessee CWSRF Loan #2018-418

<u>Year Ending</u> <u>June 30:</u>			
2024	\$ 86,676	\$ 936	\$ 87,612
2025	87,120	492	87,612
2026	50,769	171	50,940
	<u>\$ 224,565</u>	<u>\$ 1,599</u>	<u>\$ 226,164</u>

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2023

<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 Outlay Extension Note, Series 2021	\$ 118,000	2.490 %	6/30/2015
General Obligation Capital Outlay Refunding Note, Series 2021	66,400	2.500	3/1/2021
	141,400	2.640	1/29/2021
<u>Business-Type Activities</u>			
State of Tennessee CWSRF Loan #2018-418	470,000	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 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
6/30/2027	\$ 55,500	\$ 0	\$ 10,500	\$ 0	\$ 45,000
6/30/2024	55,200	0	11,200	0	44,000
6/30/2032	130,300	0	11,500	0	118,800
	<u>241,000</u>	<u>0</u>	<u>33,200</u>	<u>0</u>	<u>207,800</u>
6/30/2026	310,809	0	86,244	0	224,565
6/30/2042	144,117	0	4,648	0	139,469
	<u>454,926</u>	<u>0</u>	<u>90,892</u>	<u>0</u>	<u>364,034</u>
	<u>\$ 695,926</u>	<u>\$ 0</u>	<u>\$ 124,092</u>	<u>\$ 0</u>	<u>\$ 571,834</u>

CITY OF ROCKY TOP, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Transportation/ Tennessee Department of Transportation/Highway Planning And Construction	20.205	01LPLM-S0-055	\$ 19,750
Appalachian Regional Commission/ Tennessee Department of Economic and Community Development/Sewer System Improvement	23.002	33004-45922	15,709
U.S. Department of Transportation/ Tennessee Department of Transportation Governor's Highway Safety Office/ High Visibility Law Enforcement	20.607	Z-23-THS-233	<u>5,561</u>
			<u>\$ 41,020</u>

BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Rocky Top, Tennessee under programs of the federal government for the year ended June 30, 2023. This 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.

See the accompanying independent accountants' audit report.

OTHER INFORMATION

CITY OF ROCKY TOP, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2023

WATER

Inside City limits:

First 1,500 gallons (minimum billing)	\$ 18.71
Over 1,500 gallons (per thousand)	10.74

Outside City limits:

First 1,500 gallons (minimum billing)	31.35
Over 1,500 gallons (per thousand)	11.66

Tap fee ranges from \$800.00 to \$1,750.00
(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 \$2,500.00
(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, 2023

SOLID WASTE

Residential	\$ 17.00
Commercial	42.00

METERED CUSTOMERS

Water	784
Sewer	747
Solid Waste	638

CITY OF ROCKY TOP, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2023

Kerry Templin, Mayor
Mack Bunch, Vice-Mayor
Jeff Gilliam, Councilperson
Zack Green, Councilperson
Stacy Phillips, Councilperson
Michael Ellis, City Manager
Amanda Daugherty, City Recorder

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, 2023, 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 February 28, 2024.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding, recommendation and management response as item 2023-001 that we consider to be a material weakness.

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*.

City of Rocky Top, Tennessee’s Response to the Finding

City of Rocky Top, Tennessee’s response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. City of Rocky Top, Tennessee’s response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

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.



February 28, 2024

CITY OF ROCKY TOP, TENNESSEE

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

Year Ended June 30, 2023

Finding Number 2023-001 - Financial Oversight

Condition: Management did not have sufficient internal control over the financial reporting process. There are inadequate controls in place to ensure that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Examples of the lack of financial oversight include:

- Accounting records were not fully closed within two months after the close of their fiscal year end as required by state law.
- The City did not reconcile the amount of utility customer accounts receivable subledgers with the general ledger in a timely manner.
- Bank reconciliations were not being prepared in a timely manner and were not being reviewed by someone other than the preparer.

Cause: Employee turnover and banking issues.

Criteria: Sound internal controls over financial reporting.

Effect or potential effect: A lack of financial oversight could result in possible misstatement of the financial statements or misappropriation of assets.

Recommendation: The Board of Commissioners should establish sufficient internal controls over the financial reporting process. The official accounting records should be closed and available to the public no later than two months after the close of their fiscal year end in accordance with Tennessee Code Annotated Section 9-2-102. The amount of utility customer accounts receivable should be reconciled to the general ledger on a regular basis. Any discrepancies should be investigated and resolved in a timely manner. Bank statements should be reconciled with the cash balances presented in the general ledger as of the end of each month. Bank reconciliations should be prepared immediately after the bank statements are received from the bank. The preparer should initial and date the reconciliation once it is prepared. Reconciliations should be reviewed by someone other than the preparer and any unusual reconciling items investigated. The reviewer should also initial the reconciliations.

CITY OF ROCKY TOP, TENNESSEE

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

(continued)

Year Ended June 30, 2023

Management Response: The City concurs with the finding. During the year ended June 30, 2023, the City incurred significant employee turnover and experienced banking issues that required the consolidation of various bank accounts. As a result, bank reconciliations were not prepared timely, resulting in the accounting records not being closed in a timely manner. Management has begun implementing processes to correct these issues to include:

- The finance staff will ensure all necessary accounting entries are made within 60 days of year end.
- The general ledger accounts receivable balance will be reconciled to the accounts receivable subsidiary report to ensure accuracy and timely reporting.
- Bank reconciliations will be prepared by the 10th business day of the following month. Reconciliations will be reviewed and approved by the City Manager/City Recorder.

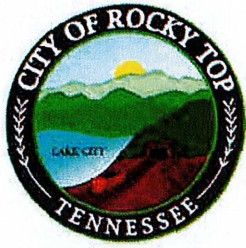
CITY OF ROCKY TOP, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2023

There were no prior year findings reported.

MANAGEMENT'S CORRECTIVE ACTION PLAN



CITY OF ROCKY TOP

Proud Past • Bright Future

MANAGEMENT'S CORRECTIVE ACTION PLAN

City of Rocky Top, Tennessee submits the following corrective action plan for the year ended June 30, 2023. The finding from the June 30, 2023 schedule of finding, recommendation and management response is discussed below. Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to the City of Rocky Top, Tennessee.

Amanda Daugherty, City Recorder
City of Rocky Top, Tennessee
195 S Main Street
Rocky Top, TN 37769
Telephone 865-426-2838
adaugherty@rockytopn.org

No. 2023-001: Material Weakness – Financial Oversight

Recommendation: The Board of Commissioners should establish sufficient internal controls over the financial reporting process. The official accounting records should be closed and available to the public no later than two months after the close of their fiscal year end in accordance with Tennessee Code Annotated Section 9-2-102. The amount of utility customer accounts receivable should be reconciled to the general ledger on a regular basis. Any discrepancies should be investigated and resolved in a timely manner. Bank statements should be reconciled with the cash balances presented in the general ledger as of the end of each month. Bank reconciliations should be prepared immediately after the bank statements are received from the bank. The preparer should initial and date the reconciliation once it is prepared. Reconciliations should be reviewed by someone other than the preparer and any unusual reconciling items investigated. The reviewer should also initial the reconciliations.

Management Response: The City concurs with the finding. During the year ended June 30, 2023, the City incurred significant employee turnover and experienced banking issues that required the consolidation of various bank accounts. As a result, bank reconciliations were not prepared timely, resulting in the accounting records not being closed in a timely manner. Management has begun implementing processes to correct these issues to include:

195 S. Main Street • PO Box 66 • Rocky Top, TN 37769
865-426-2838

- The finance staff will ensure all necessary accounting entries are made within 60 days of year end.
- The general ledger accounts receivable balance will be reconciled to the accounts receivable subsidiary report to ensure accuracy and timely reporting.
- Bank reconciliations will be prepared by the 10th business day of the following month. Reconciliations will be reviewed and approved by the City Manager/City Recorder.

Signature: Amanda Daugherty

Title: City Recorder