

Financial Statements

CITY OF ROCKY TOP, TENNESSEE

Year Ended June 30, 2024

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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, 2024, 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, 2024, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, state street aid fund and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

As discussed in Note J to the financial statements, City of Rocky Top, Tennessee has restated its fund balance and net position as of June 30, 2023 to correct recorded accrued vacation balances and record grants receivable balances which were not previously recorded. Our opinion is not modified with respect to this matter.

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

Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

December 20, 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, 2024**

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, 2024. 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, 2024 was \$9,599,884 (\$9,284,761 in 2023).
- The City's net position increased by \$315,124 during the year ended June 30, 2024 (decreased by \$201,097 in 2023).
- At June 30, 2024 the City's governmental funds reported combined ending fund balances of \$1,366,286, an increase of \$86,409 for the year ended June 30, 2024. At June 30, 2023 the City's governmental funds reported combined ending fund balances of \$1,279,875, a decrease of \$186,536 for the year ended June 30, 2023. As of June 30, 2024 \$1,209,035 (\$1,279,875 in 2023) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2024 the unassigned general fund balance was \$1,209,035 (\$1,279,875 in 2023) or 54 percent (57 percent in 2023) 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, 2024 the City's net position was \$9,599,884 (\$9,284,761 in 2023).

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>2024</u>	<u>2023</u>
ASSETS		
Current assets	\$ 4,679,757	\$ 4,163,659
Capital assets, net of accumulated depreciation	<u>6,825,260</u>	<u>6,723,021</u>
	11,505,017	10,886,680
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>462,738</u>	<u>481,485</u>
	<u>\$ 11,967,755</u>	<u>\$ 11,368,165</u>
 LIABILITIES		
Current liabilities	\$ 663,264	\$ 417,878
Noncurrent liabilities	<u>566,719</u>	<u>602,714</u>
	1,229,983	1,020,593
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	616,872	634,650
Deferred grant revenue	478,538	478,538
Deferred inflows related to pension	<u>42,477</u>	<u>88,999</u>
	1,137,888	1,202,187
 NET POSITION		
Net investment in capital assets	6,360,736	6,151,188
Restricted	110,059	87,979
Unrestricted	<u>3,129,089</u>	<u>2,906,217</u>
	<u>9,599,884</u>	<u>9,145,384</u>
	<u>\$ 11,967,755</u>	<u>\$ 11,368,165</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>2024</u>	<u>2023</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,750,078	\$ 1,439,067
Operating grants and contributions	109,846	85,666
Capital grants and contributions	378,684	41,020
General Revenue:		
Taxes	1,488,872	1,459,202

	<u>2024</u>	<u>2023</u>
Intergovernmental	234,002	228,382
Interest income	19,826	267
Insurance recoveries	51,876	97,384
Miscellaneous	<u>16,408</u>	<u>4,224</u>
	4,049,592	3,355,212
EXPENSES		
General government	882,799	806,503
Public safety	947,143	812,834
Public welfare	101,913	90,655
Public works	276,549	307,724
Streets and highways	114,513	121,064
Water and sewer	<u>1,411,551</u>	<u>1,417,529</u>
	<u>3,734,468</u>	<u>3,556,309</u>
Change in net position	315,124	(201,097)
Net position at the beginning of the year	9,145,384	9,346,482
Restatement	<u>139,375</u>	<u>0</u>
	<u>9,284,761</u>	<u>9,346,482</u>
Net position at the end of the year	<u>\$ 9,599,884</u>	<u>\$ 9,145,384</u>

Governmental Activities - During the year ended June 30, 2024, governmental activities increased the City's net position by \$50,756 (decreased by \$30,620 in 2023) mostly due to an increase in operating grants, capital grants and interest income.

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, 2024, business-type activities increased the City's net position by \$264,368 (decreased by \$170,477 in 2023). The difference in the current year's result compared to the prior year was primarily due to an increase in water and sewer charges due to increased utility rates.

Capital Assets

The City's investment in capital assets as of June 30, 2024 was \$6,825,260 (\$6,723,021 in 2023) net of accumulated depreciation.

	<u>2024</u>	<u>2023</u>
Land	\$ 389,676	\$ 405,681
Land improvements	9,283	9,283
Construction in process	821,330	348,329

	<u>2024</u>	<u>2023</u>
Buildings	1,609,728	1,609,728
Water distribution system	2,748,784	2,748,784
Sewer collection system	8,537,790	8,470,627
Vehicles and equipment	2,715,277	2,856,594
Infrastructure	553,763	553,763
Accumulated depreciation	<u>(10,560,370)</u>	<u>(10,279,766)</u>
	<u>\$ 6,825,260</u>	<u>\$ 6,723,021</u>

The major capital asset additions during the year ended June 30, 2024 were as follows:

Sewer plant in operation	\$ 67,164
Vehicles and equipment	234,984
Construction in process	<u>519,362</u>
	<u>\$ 821,510</u>

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

Debt Administration

At June 30, 2024 the City's governmental funds had outstanding debt of \$142,000 (\$207,800 in 2023) consisting of the following:

	<u>2024</u>	<u>2023</u>
Notes payable	\$ 142,000	\$ 207,800
Less: current portion due	<u>(22,700)</u>	<u>(65,800)</u>
Total long-term debt-principal	<u>\$ 119,300</u>	<u>\$ 142,000</u>

During the year ended June 30, 2024, the City retired \$65,800 (\$33,200 in 2023) of its governmental funds debt.

At June 30, 2024 the City's proprietary fund had outstanding debt of \$322,524 (\$364,034 in 2023) consisting of the following:

	<u>2024</u>	<u>2023</u>
Notes payable	\$ 187,902	\$ 224,565
RDA loans	<u>134,622</u>	<u>139,469</u>
Total debt-principal	322,524	364,034
Less: current portion due	<u>(92,192)</u>	<u>(91,532)</u>
Total long-term debt-principal	<u>\$ 230,332</u>	<u>\$ 272,502</u>

During the year ended June 30, 2024, the City retired \$91,523 (\$90,892 in 2023) of its proprietary fund debt.

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

Financial Analysis of the City's Funds

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

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

The general fund's fund balance increased by \$64,329 during the year ended June 30, 2024 (decreased by \$213,277 in 2023).

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 \$1,569,922 during the year ended June 30, 2024 and \$1,451,120 during the year ended June 30, 2023.

Fund Budgetary Highlights

During the year ended June 30, 2024, 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, 2024, final amended budgeted revenue of the general fund increased approximately \$114,627 mostly due to increased budgeted grant revenue amounts. Final amended budgeted expenditures increased approximately \$114,626 from original budgeted expenditures mostly due to increased budgeted amounts for small items of equipment and repairs and maintenance.

Economic Factors and Next Year's Budgets and Rates

The City Council approved the budget for the year ending June 30, 2025. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2024.

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, 2024

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,028,448	\$ 818,347	\$ 1,846,795
Local Government Investment Pool	518,518	618,288	1,136,806
Certificates of deposit	0	100,000	100,000
Accounts receivable, net of allowance for uncollectible accounts	0	245,171	245,171
Property taxes receivable	764,794	0	764,794
Due from other governments	50,027	0	50,027
Other taxes receivable	120,802	0	120,802
Grant receivable	21,248	284,882	306,130
Internal balances	135,264	(135,264)	0
Prepaid expenses	47,192	30,264	77,456
Materials and supplies	0	31,776	31,776
Capital assets not being depreciated	321,268	889,738	1,211,006
Capital assets being depreciated, net of accumulated depreciation	<u>1,844,650</u>	<u>3,769,604</u>	<u>5,614,254</u>
	4,852,211	6,652,805	11,505,017
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>357,397</u>	<u>105,341</u>	<u>462,738</u>
	<u>\$ 5,209,608</u>	<u>\$ 6,758,146</u>	<u>\$ 11,967,755</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 31,721	\$ 406,755	\$ 438,476
Accrued salaries	44,955	10,588	55,543
Customer deposits	0	54,353	54,353
Net pension liability	162,129	54,958	217,087
Current portion of long-term debt	22,700	92,192	114,892
Long-term debt, net of current portion	<u>119,300</u>	<u>230,332</u>	<u>349,632</u>
	380,805	849,178	1,229,983
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	616,872	0	616,872
Deferred grant revenue	478,538	0	478,538
Deferred inflows related to pension	<u>40,248</u>	<u>2,229</u>	<u>42,477</u>
	1,135,659	2,229	1,137,888
NET POSITION			
Net investment in capital assets	2,023,918	4,336,818	6,360,736
Restricted:			
Drug enforcement	10,922	0	10,922
Street improvement	99,137	0	99,137
Unrestricted	<u>1,559,167</u>	<u>1,569,922</u>	<u>3,129,089</u>
	<u>3,693,144</u>	<u>5,906,740</u>	<u>9,599,884</u>
	<u>\$ 5,209,608</u>	<u>\$ 6,758,146</u>	<u>\$ 11,967,755</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	<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	\$ 882,799	\$ 40,383	\$ 29,375	\$ 0
Public safety	947,143	66,802	14,815	199,596
Public welfare	101,913	13,190	8,528	0
Streets and highways	114,513	0	57,128	0
Public works	<u>276,549</u>	<u>142,408</u>	<u>0</u>	<u>0</u>
Total governmental activities	2,322,917	262,783	109,846	199,596
Business-Type Activities:				
Water and sewer	<u>1,429,839</u>	<u>1,487,295</u>	<u>0</u>	<u>179,088</u>
	<u>\$ 3,752,756</u>	<u>\$ 1,750,078</u>	<u>\$ 109,846</u>	<u>\$ 378,684</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (813,041)	\$ 0	\$ (813,041)
(665,930)	0	(665,930)
(80,195)	0	(80,195)
(57,385)	0	(57,385)
(134,141)	0	(134,141)
(1,750,692)	0	(1,750,692)
0	236,544	236,544
\$ (1,750,692)	\$ 236,544	\$ (1,514,148)

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2024

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,

as restated

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (1,750,692)	\$ 236,544	\$ (1,514,148)
604,981	0	604,981
22,879	0	22,879
26,275	0	26,275
599,854	0	599,854
31,808	0	31,808
61,099	0	61,099
93,938	0	93,938
29,335	0	29,335
18,703	0	18,703
234,002	0	234,002
18,607	19,507	38,114
43,559	8,317	51,876
16,408	0	16,408
1,801,448	27,824	1,829,272
50,756	264,368	315,124
3,642,388	5,642,373	9,284,761
\$ 3,693,144	\$ 5,906,740	\$ 9,599,884

CITY OF ROCKY TOP, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	State Street Aid Fund	Drug Fund	Totals
ASSETS				
Cash	\$ 929,393	\$ 88,135	\$ 10,922	\$ 1,028,448
Local Government Investment Pool	518,518	0	0	518,518
Property taxes receivable	764,794	0	0	764,794
Grants receivable	21,248	0	0	21,248
Other taxes receivable	120,802	0	0	120,802
Due from other governments	40,075	9,952	0	50,027
Due from other funds	135,264	4,838	0	140,102
Prepaid expenses	47,192	0	0	47,192
	<u>\$ 2,577,286</u>	<u>\$ 102,925</u>	<u>\$ 10,922</u>	<u>\$ 2,691,132</u>
LIABILITIES				
Accounts payable	\$ 27,933	\$ 3,788	\$ 0	\$ 31,721
Accrued salaries	44,955	0	0	44,955
Due to other funds	4,838	0	0	4,838
	<u>77,726</u>	<u>3,788</u>	<u>0</u>	<u>81,514</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	764,794	0	0	764,794
Deferred grant revenue	478,538	0	0	478,538
	<u>1,243,332</u>	<u>0</u>	<u>0</u>	<u>1,243,332</u>
FUND BALANCES				
Nonspendable	47,192	0	0	47,192
Restricted	0	99,137	10,922	110,059
Unassigned	1,209,035	0	0	1,209,035
	<u>1,256,227</u>	<u>99,137</u>	<u>10,922</u>	<u>1,366,286</u>
	<u>\$ 2,577,286</u>	<u>\$ 102,925</u>	<u>\$ 10,922</u>	<u>\$ 2,691,132</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, 2024

Total Fund Balance - Governmental Funds	\$ 1,366,286
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.	2,165,918
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	(162,129)
Deferred outflows of resources	357,397
Deferred inflows of resources	(40,248)
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.	147,922
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(142,000)</u>
Net Position of Governmental Activities	<u>\$ 3,693,144</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, 2024

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property tax	\$ 589,649	\$ 0	\$ 0	\$ 589,649
Interest and penalty	22,879	0	0	22,879
In-Lieu of tax payments	26,275	0	0	26,275
Local sales tax	599,854	0	0	599,854
Business tax	31,808	0	0	31,808
Room occupancy tax	61,099	0	0	61,099
Wholesale beer tax	93,938	0	0	93,938
Wholesale liquor tax	29,335	0	0	29,335
Cable TV franchise tax	18,703	0	0	18,703
Intergovernmental	459,012	57,128	0	516,140
Licenses and permits	16,383	0	0	16,383
Charges for services	155,613	0	0	155,613
Fines and forfeitures	61,817	0	4,969	66,786
Other	129,874	3	0	129,877
	<u>2,296,239</u>	<u>57,131</u>	<u>4,969</u>	<u>2,358,339</u>
TOTAL REVENUE	2,296,239	57,131	4,969	2,358,339

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, 2024

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES				
Current:				
General government	771,996	0	0	771,996
Public safety	810,412	0	1,715	812,127
Public works	231,172	0	0	231,172
Streets and highways	10,345	38,305	0	48,650
Public welfare	101,972	0	0	101,972
Capital outlay	234,984	0	0	234,984
Debt service	71,029	0	0	71,029
TOTAL EXPENDITURES	<u>2,231,910</u>	<u>38,305</u>	<u>1,715</u>	<u>2,271,930</u>
NET CHANGES IN FUND BALANCES	64,329	18,826	3,254	86,409
FUND BALANCES AT THE BEGINNING OF THE YEAR, as restated				
	<u>1,191,896</u>	<u>80,311</u>	<u>7,668</u>	<u>1,279,875</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 1,256,227</u>	<u>\$ 99,137</u>	<u>\$ 10,922</u>	<u>\$ 1,366,286</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, 2024

Net Changes in Fund Balances	\$ 86,409
<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	234,984
Loss on disposal of capital assets	(61,395)
Depreciation expense	(288,041)
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.</p>	
	62,148
<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>	
	(64,481)
<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, 2023	(132,590)
Deferred tax revenue - June 30, 2024	147,922
<p>Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.</p>	
	65,800
Change in Net Position of Governmental Activities	\$ <u>50,756</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, 2024

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUE				
Taxes:				
Property tax	\$ 534,500	\$ 534,500	\$ 589,649	\$ 55,149
Interest and penalty	18,000	18,000	22,879	4,879
In-Lieu of tax payments	30,497	30,497	26,275	(4,222)
Local sales tax	540,000	540,000	599,854	59,854
Business tax	31,900	31,900	31,808	(92)
Room occupancy tax	55,000	55,000	61,099	6,099
Wholesale beer tax	92,000	92,000	93,938	1,938
Wholesale liquor tax	32,500	32,500	29,335	(3,165)
Cable TV franchise tax	20,000	20,000	18,703	(1,297)
	1,354,397	1,354,397	1,473,541	119,143
Intergovernmental:				
Corporate excise tax	4,500	4,500	5,679	1,179
State beer tax	750	750	716	(34)
State sales tax	215,000	215,000	200,435	(14,565)
Telecommunications tax	1,628	1,628	3,741	2,113
T.V.A. In-Lieu of tax payments	19,536	19,536	20,451	915
City streets and transportation funds	2,980	2,980	2,980	0
Governor's Highway Safety Grant	6,400	6,400	5,800	(600)
Other grants	0	70,817	105,786	34,969
Sidewalk grant	880,000	880,000	0	(880,000)
ARPA grant	50,000	50,000	50,000	0
Police equipment grants	0	0	19,615	19,615
Firefighters grant	0	43,810	43,810	0
	1,180,794	1,295,421	459,012	(836,408)

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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Licenses and permits:				
Beer licenses	2,500	2,500	4,100	1,600
Building permits	4,000	4,000	12,283	8,283
	<u>6,500</u>	<u>6,500</u>	<u>16,383</u>	<u>9,883</u>
Charges for services:				
Parks and recreation charges	8,000	8,000	13,190	5,190
Sanitation charges	136,000	136,000	142,408	6,408
Accident report charges	0	0	15	15
	<u>144,000</u>	<u>144,000</u>	<u>155,613</u>	<u>11,613</u>
Fines and forfeitures	26,500	26,500	61,817	35,317
Other revenue:				
Contributions	25,204	25,204	27,303	2,099
Miscellaneous revenue	1,570	1,570	35,013	33,443
Contributions from emergency communications district	2,000	2,000	0	(2,000)
Insurance recoveries	5,000	5,000	43,559	38,559
Rent	24,000	24,000	24,000	0
	<u>57,774</u>	<u>57,774</u>	<u>129,874</u>	<u>72,101</u>
TOTAL REVENUE	2,769,965	2,884,592	2,296,239	(588,351)
EXPENDITURES				
Legislative:				
Salaries and wages	3,600	3,600	3,600	0
Employee education and training	1,000	1,000	220	(780)
Public relations	5,500	5,500	166	(5,334)
Subscriptions	2,500	2,500	4,082	1,582
	<u>12,600</u>	<u>12,600</u>	<u>8,068</u>	<u>(4,532)</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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Judicial:				
Salaries and wages	3,600	3,600	2,600	(1,000)
Court costs	16,520	16,520	14,519	(2,001)
	<u>20,120</u>	<u>20,120</u>	<u>17,119</u>	<u>(3,001)</u>
Financial administration:				
Salaries and wages	89,252	85,462	75,451	(10,011)
Retirement	7,055	7,055	4,916	(2,139)
Employee education and training	2,500	2,500	1,725	(775)
Dues and subscriptions	500	500	344	(156)
Professional services	0	0	433	433
Travel	3,000	3,000	5,345	2,345
Operating supplies	3,639	3,639	2,571	(1,068)
	<u>105,946</u>	<u>102,156</u>	<u>90,785</u>	<u>(11,371)</u>
General government buildings:				
Salaries and wages	17,000	17,000	16,483	(517)
Codes administration	6,750	9,200	9,178	(22)
Retirement	265	605	538	(67)
Employee education and training	500	500	350	(150)
Utilities	41,500	41,500	59,812	18,312
Telephone	16,720	16,720	19,277	2,557
Professional services	3,274	3,274	11,993	8,719
Repairs and maintenance	6,000	33,104	6,300	(26,804)
Operating supplies	5,700	13,700	14,301	601
	<u>97,709</u>	<u>135,603</u>	<u>138,232</u>	<u>2,629</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, 2024

	Budget		Actual	Variance
	Original	Final		Over (Under)
Other general government:				
OASDI	75,000	75,000	70,530	(4,470)
Hospital and health insurance	330,424	296,320	241,313	(55,007)
Retirement	0	0	37	37
Workers' compensation	36,000	36,000	31,926	(4,074)
Office supplies	13,500	13,500	10,376	(3,124)
Professional services	59,000	59,000	57,864	(1,136)
Unemployment insurance	488	488	568	80
Liability insurance	46,000	46,000	54,631	8,631
Dispatch services	45,000	45,000	45,000	0
Miscellaneous	4,500	4,500	2,158	(2,342)
ARPA purchases - salaries and furniture	50,000	5,000	500	(4,500)
Bank charges	5,000	5,000	2,889	(2,111)
	<u>664,912</u>	<u>585,808</u>	<u>517,792</u>	<u>(68,016)</u>
Police department:				
Salaries and wages	462,350	488,906	416,869	(72,037)
Retirement	30,861	30,861	28,683	(2,178)
Training and travel	7,000	7,960	7,706	(254)
Dues and subscriptions	600	600	1,000	400
Data processing services	4,000	4,000	3,884	(116)
Repairs and maintenance	0	0	981	981
Operating supplies	2,000	2,000	3,228	1,228
Office supplies	100	100	833	733
Small items of equipment	7,675	78,492	29,466	(49,026)
Uniforms	5,400	5,400	5,635	235
Firearms supplies	800	800	95	(705)
Gasoline and oil	25,000	25,000	25,007	7
Vehicle maintenance	4,000	4,000	18,060	14,060
	<u>549,786</u>	<u>648,119</u>	<u>541,447</u>	<u>(106,672)</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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Fire department:				
Salaries and wages	251,434	251,434	199,589	(51,845)
Retirement	16,473	16,473	14,245	(2,228)
Training	2,000	2,000	2,898	898
Volunteer firemen	10,000	10,000	15,659	5,659
Uniforms	3,200	3,200	3,146	(54)
Dues and subscriptions	0	0	265	265
Insurance	1,500	1,500	215	(1,285)
Office supplies	2,700	2,700	1,266	(1,434)
Travel	1,000	1,000	833	(167)
Operating supplies	2,000	2,000	13,496	11,496
Small items of equipment	2,000	2,000	4,747	2,747
Gas, oil and grease	6,000	6,000	4,907	(1,093)
Vehicle maintenance	10,000	10,000	7,701	(2,299)
	<u>308,307</u>	<u>308,307</u>	<u>268,967</u>	<u>(39,340)</u>
Streets and highways:				
Street lighting	1,328	1,328	0	(1,328)
Repair and maintenance	54,122	54,122	10,345	(43,777)
Operating supplies	6,250	6,250	0	(6,250)
	<u>61,700</u>	<u>61,700</u>	<u>10,345</u>	<u>(51,355)</u>
Public works:				
Salaries and wages	167,306	167,306	150,218	(17,088)
Retirement	12,556	12,556	10,514	(2,042)
Uniforms	2,000	2,000	2,810	810
Professional services	13,000	13,000	3,775	(9,225)
Repair and maintenance	4,500	4,500	5,825	1,325
Operating supplies	873,719	873,719	40,738	(832,981)
Gas, oil and grease	15,000	15,000	17,291	2,291
	<u>1,088,081</u>	<u>1,088,081</u>	<u>231,172</u>	<u>(856,910)</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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Recreation:				
Salaries and wages	95,576	68,060	44,641	(23,419)
Retirement	0	0	3,215	3,215
Uniforms	500	500	428	(72)
Professional services	500	500	3,466	2,966
Repairs and maintenance	32,000	32,000	5,740	(26,260)
Gasoline and oil	2,500	2,500	1,349	(1,151)
Small items of equipment	2,000	2,000	400	(1,600)
Operating supplies	6,500	6,500	5,452	(1,048)
Vehicle maintenance	1,000	1,000	391	(609)
	<u>140,576</u>	<u>113,060</u>	<u>65,081</u>	<u>(47,979)</u>
Tourism:				
Fourth of July event	15,000	15,000	15,569	569
Fireworks	5,000	5,000	3,657	(1,343)
	<u>20,000</u>	<u>20,000</u>	<u>19,226</u>	<u>(774)</u>
Libraries:				
Operating supplies	750	750	0	(750)
Anderson County Library Board	17,665	17,665	17,666	1
	<u>18,415</u>	<u>18,415</u>	<u>17,666</u>	<u>(749)</u>
Capital outlay	4,276	93,086	234,984	141,898
Debt service	69,030	69,030	71,029	1,999
TOTAL EXPENDITURES	<u>3,161,459</u>	<u>3,276,085</u>	<u>2,231,910</u>	<u>(1,044,173)</u>
NET CHANGES IN FUND BALANCE	(391,494)	(391,494)	64,329	455,823

CITY OF ROCKY TOP, TENNESSEE

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

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>391,494</u>	<u>391,494</u>	<u>1,191,896</u>	<u>800,402</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,256,227</u>	<u>\$ 1,256,227</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, 2024

	<u>Budget</u>			Variance Over <u>(Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
State gasoline and motor fuel tax	\$ 61,690	\$ 61,690	\$ 57,128	\$ (4,562)
Interest	<u>10</u>	<u>10</u>	<u>3</u>	<u>(7)</u>
TOTAL REVENUE	61,700	61,700	57,131	(4,569)
EXPENDITURES				
Repairs and maintenance	8,122	8,122	0	(8,122)
Bank charges	250	250	158	(92)
Utilities	46,000	46,000	37,901	(8,099)
Operating supplies	6,000	6,000	246	(5,754)
Machinery and equipment	<u>1,328</u>	<u>1,328</u>	<u>0</u>	<u>(1,328)</u>
TOTAL EXPENDITURES	<u>61,700</u>	<u>61,700</u>	<u>38,305</u>	<u>(23,395)</u>
NET CHANGES IN FUND BALANCE	0	0	18,826	18,826
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>80,311</u>	<u>80,311</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,137</u>	<u>\$ 99,137</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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Drug related fines	\$ 1,000	\$ 1,000	\$ 4,969	\$ 3,969
EXPENDITURES				
Operating supplies	<u>1,000</u>	<u>1,000</u>	<u>1,715</u>	<u>715</u>
NET CHANGES IN FUND BALANCE	0	0	3,254	3,254
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>7,668</u>	<u>7,668</u>
FUND BALANCE AT THE END OF THE YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 10,922</u></u>	<u><u>\$ 10,922</u></u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2024

CURRENT ASSETS

Cash		\$ 818,347
Local Government Investment Pool		618,288
Certificates of deposit		100,000
Accounts receivable, net of allowance for uncollectible accounts of \$115,000		245,171
Grant receivable		284,882
Prepaid expenses		30,264
Materials and supplies		<u>31,776</u>
		2,128,728

CAPITAL ASSETS

Construction in process	\$ 751,218	
Land and land rights	138,521	
Equipment	395,124	
Buildings	366,517	
Water distribution system	2,748,784	
Sewer collection system	<u>8,537,790</u>	
	12,937,954	
Accumulated depreciation	<u>(8,278,611)</u>	4,659,343

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>105,341</u>
		<u>\$ 6,893,411</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	406,755
Accrued salaries		10,588
Due to general fund		135,264
Customer deposits		54,353
Current portion of long-term debt		<u>92,192</u>
		699,152

LONG-TERM DEBT,

net of current portion		230,332
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NET PENSION LIABILITY

54,958

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension		2,229
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NET POSITION

Net investment in capital assets	\$	4,336,818
Unrestricted		<u>1,569,922</u>
		<u>5,906,740</u>
	\$	<u><u>6,893,411</u></u>

CITY OF ROCKY TOP, TENNESSEE

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

Year Ended June 30, 2024

OPERATING REVENUE

Charges for services	\$ 1,393,538	
Other operating revenue	<u>93,757</u>	

TOTAL OPERATING REVENUE 1,487,295

OPERATING EXPENSES

Water transmission and distribution:

Water purchased for resale	\$ 173,198	
Salaries	114,285	
Retirement	6,664	
Training	13,422	
Dues and subscriptions	2,964	
Operating supplies	43,688	
Uniforms	2,799	
Gasoline and oil	5,241	
Repairs and maintenance	<u>11,570</u>	373,831

Sewer treatment and disposal:

Salaries	96,753	
Retirement	4,524	
Dues and subscriptions	4,990	
Utilities	76,158	
Repairs and maintenance	8,730	
Rent	24,000	
Landfill service	2,469	
Professional services	390	
Operating supplies	131,276	
Clothing and uniforms	<u>1,250</u>	350,540

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, 2024

General and administrative:		
Salaries	89,718	
Payroll taxes	23,147	
Retirement	4,773	
Training	2,128	
Hospital and health insurance	100,493	
Professional services	94,242	
Office expenses	16,265	
Unemployment insurance	235	
Insurance	<u>43,949</u>	374,950
Depreciation		<u>312,475</u>
	TOTAL OPERATING EXPENSES	<u>1,411,796</u>
	INCOME FROM OPERATIONS	75,499
NONOPERATING REVENUE(EXPENSE)		
Interest income	19,507	
Insurance recovery	8,317	
Loss on disposal of capital assets	(11,000)	
Interest expense	<u>(7,043)</u>	<u>9,782</u>
	INCOME BEFORE CAPITAL CONTRIBUTIONS	85,281
Capital contributions		<u>179,088</u>
	CHANGE IN NET POSITION	264,368
NET POSITION AT THE BEGINNING OF THE YEAR, as restated		<u>5,642,373</u>
	NET POSITION AT THE END OF THE YEAR	<u>\$ 5,906,740</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2024

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

Cash received from customers		\$ 1,429,747
Cash paid to general fund		(954,000)
Cash paid to suppliers		(433,838)
Cash paid to employees		<u>(211,198)</u>

NET CASH (USED) BY OPERATING ACTIVITIES (169,289)

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

Acquisition of capital assets	\$ (539,892)	
Principal payments on long-term debt	(91,523)	
Capital contributions	22,274	
Proceeds from issuance from long-term debt	50,013	
Insurance recovery	8,317	
Interest paid on debt	<u>(7,043)</u>	

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (557,854)

**CASH PROVIDED BY
INVESTING ACTIVITIES**

Decrease in certificates of deposit	59,477	
Interest received	<u>19,507</u>	<u>78,984</u>

NET (DECREASE) IN CASH (648,159)

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

2,084,792

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

\$ 1,436,634

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, 2024

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

Income from operations		\$ 75,499
Adjustments to reconcile income from operations to net cash (used) by operating activities:		
Depreciation	\$ 312,475	
Deferred retirement contributions	(17,196)	
Pension expense	15,962	
(Increase) in:		
Accounts receivable	(57,548)	
Prepaid expenses	(6,362)	
Due from other funds	(795,838)	
Increase(decrease) in:		
Accounts payable	290,653	
Accrued salaries	(5,535)	
Customer deposits	18,601	(244,788)
		<u> </u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (169,289)</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

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, 2024 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, 2024

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, 2024

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, 2024.

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, 2024

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, 2024 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 4,447,677
Accumulated depreciation	(2,281,760)
Principal balance on long-term debt	<u>(142,000)</u>
	<u>\$ 2,023,918</u>

Business-Type Activities:

Capital assets	\$ 12,937,953
Accumulated depreciation	(8,278,610)
Principal balance on long-term debt	<u>(322,524)</u>
	<u>\$ 4,336,818</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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 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, 2024

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, 2024

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, 2024 was as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 179	\$ 200	\$ 379
Bank deposits (checking and savings accounts)	1,028,269	818,147	1,846,416
Local Government Investment Pool	518,518	618,288	1,136,806
Certificates of deposit	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Totals	<u>\$ 1,546,966</u>	<u>\$ 1,536,635</u>	<u>\$ 3,083,601</u>
Unrestricted assets	<u>\$ 1,546,966</u>	<u>\$ 1,536,635</u>	<u>\$ 3,083,601</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024 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, 2024

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 was as follows:

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/24</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 267,160	\$ 0	\$ (16,005)	\$ 251,155
Construction in process	<u>70,113</u>	<u>0</u>	<u>0</u>	<u>70,113</u>
	337,273	0	(16,005)	321,268
<u>Capital assets being depreciated</u>				
Land improvements	9,283	0	0	9,283
Infrastructure	553,763	0	0	553,763
Vehicles and equipment	2,424,628	234,984	(339,459)	2,320,153
Buildings	<u>1,243,211</u>	<u>0</u>	<u>0</u>	<u>1,243,211</u>
	4,230,885	234,984	(339,459)	4,126,410
<u>Accumulated depreciation</u>				
Land improvements	(1,545)	(928)	0	(2,473)
Infrastructure	(114,200)	(22,830)	0	(137,031)
Vehicles and equipment	(1,277,852)	(232,574)	294,069	(1,216,358)
Buildings	<u>(894,191)</u>	<u>(31,708)</u>	<u>0</u>	<u>(925,899)</u>
	<u>(2,287,788)</u>	<u>(288,041)</u>	<u>294,069</u>	<u>(2,281,760)</u>
	<u>\$ 2,280,370</u>	<u>\$ (53,057)</u>	<u>\$ (61,395)</u>	<u>\$ 2,165,917</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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

General government	\$ 44,281
Public safety	132,321
Public welfare	36,115
Streets and highways	65,863
Solid waste	<u>9,460</u>
	<u>\$ 288,041</u>

<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
7/1/23			6/30/24

Business-Type Activities:

Capital assets not being depreciated

Land	\$ 138,521	\$ 0	\$ 0	\$ 138,521
Construction in process	<u>278,216</u>	<u>519,362</u>	<u>(46,360)</u>	<u>751,217</u>
	416,737	519,362	(46,360)	889,738

Capital assets being depreciated

Buildings	366,517	0	0	366,517
Vehicles and equipment	431,966	0	(36,843)	395,124
Water distribution plant	2,748,784	0	0	2,748,784
Sewer collection plant	<u>8,470,626</u>	<u>67,164</u>	<u>0</u>	<u>8,537,790</u>
	12,017,893	67,164	(36,843)	12,048,215

Accumulated depreciation

Buildings	(248,525)	(11,859)	0	(260,384)
Vehicles and equipment	(365,135)	(28,694)	25,843	(367,986)
Water distribution plant	(1,159,346)	(90,273)	0	(1,249,619)
Sewer collection plant	<u>(6,218,972)</u>	<u>(181,650)</u>	<u>0</u>	<u>(6,400,622)</u>
	<u>(7,991,978)</u>	<u>(312,475)</u>	<u>25,843</u>	<u>(8,278,610)</u>
	<u>\$ 4,442,653</u>	<u>\$ 274,051</u>	<u>\$ (57,360)</u>	<u>\$ 4,659,343</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024

Employees Covered by Benefit Terms

At the measurement date of June 30, 2023, 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	29
Active employees	<u>22</u>
	<u>62</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, 2024, employer contributions for the City were \$79,344 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, 2023, 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, 2023 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, 2024

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

The actuarial assumptions used in the June 30, 2023 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, 2024

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, 2023:			
Increase(decrease):			
Service cost	\$ 88,162	\$ 0	\$ 88,162
Interest	237,786	0	237,786
Differences between expected and actual experience	55,315	0	55,315
Contributions - employer	0	78,963	(78,963)
Contributions - employees	0	52,853	(52,853)
Net investment income	0	222,581	(222,581)
Benefit payments, including refunds of employee contributions	(113,337)	(113,337)	0
Administrative expense	<u>0</u>	<u>(2,009)</u>	<u>2,009</u>
Net changes for the year ended June 30, 2023	267,926	239,051	28,875
Balances at June 30, 2022	<u>3,491,265</u>	<u>3,303,053</u>	<u>188,212</u>
Balances at June 30, 2023	<u>\$ 3,759,191</u>	<u>\$ 3,542,104</u>	<u>\$ 217,087</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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

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

	1% Decrease <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net pension liability(asset)	\$ 807,940	\$ 217,087	\$ (263,612)

Pension Expense

For the year ended June 30, 2024, the City recognized pension expense of \$80,466.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 174,685	\$ 42,477
Net difference between projected and actual earnings on pension plan investments	26,051	0
Changes of assumptions	182,658	0
Contributions subsequent to the measurement date of June 30, 2023	<u>79,344</u>	<u>not applicable</u>
Totals	<u>\$ 462,738</u>	<u>\$ 42,477</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” 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, 2024

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>	
2025	\$ 43,825
2026	36,704
2027	157,357
2028	83,949
2029	19,081
Thereafter	0

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, 2024.

Prior to June 30, 2024, the City entered into a contract related to sidewalk improvements totaling \$94,500; \$70,113 has been expended as of June 30, 2024.

Prior to June 30, 2024, the City entered into contracts related to grant administration, engineering and construction services for the sanitary sewer rehabilitation and wastewater treatment plant projects totaling \$5,851,245; \$601,361 has been expended as of June 30, 2024.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2024 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Notes, Series 2015, payable in annual installments ranging from \$11,000 to \$12,000 including interest at 2.49% until maturity in 2027	\$ 34,500
General Obligation Capital Outlay Refunding Note, Series 2023, payable in annual installments ranging from \$11,700 to \$15,300 plus interest at 2.640% until maturity in 2032	<u>107,500</u>
	142,000
Less current maturities	<u>(22,700)</u>
	<u>\$ 119,300</u>

Business-Type Activities:

State of Tennessee CWSRF Loan #2018-418, due in varying monthly installments plus interest at .500% until maturity in 2026	\$ 137,889
State of Tennessee CWSRF Loan #2023-482, interest rate at 1.73%, payment amounts not yet determined	50,013
State of Tennessee Rural Development Loan, due in monthly installments of \$902 including interest at 4.375% until maturity in 2042	<u>134,622</u>
	322,524
Less current maturities	<u>(92,192)</u>
	<u>\$ 230,332</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 Loans 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, 2024

Changes in long-term debt for the year ended June 30, 2024 were as follows:

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/24</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Notes payable	\$ 207,800	\$ 0	\$ (65,800)	\$ 142,000	\$ 22,700
<u>Business-Type Activities:</u>					
Notes payable	\$ 224,565	\$ 50,013	\$ (86,676)	\$ 187,902	\$ 87,120
Rural Development Loan	139,469	0	(4,847)	134,622	5,072
	<u>\$ 364,034</u>	<u>\$ 50,013</u>	<u>\$ (91,523)</u>	<u>\$ 322,524</u>	<u>\$ 92,192</u>

Interest costs incurred for the year ended June 30, 2024 were \$12,272.

Maturities of long-term debt as of June 30, 2024 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 22,700	\$ 3,964	\$ 26,664
2026	23,700	3,422	27,122
2027	24,600	2,858	27,458
2028	13,100	1,701	14,801
2029	13,700	1,348	15,048
2030	14,200	979	15,179
2031	14,700	598	15,298
2032	15,300	202	15,502
	<u>\$ 142,000</u>	<u>\$ 15,073</u>	<u>\$ 157,073</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Business-Type Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>9,531</u>	<u>171</u>	<u>9,702</u>
	<u>\$ 272,511</u>	<u>\$ 59,750</u>	<u>\$ 332,262</u>

Future maturities for the State Revolving Fund loan 2023-482 has not been determined and is not included in the amounts reported above.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

NOTE I – INTERFUND BALANCES

Amounts due from the general fund to the state street aid fund totaling \$4,838 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, 2024. Sanitation charges billed by the water and sewer fund totaling \$140,109 were due to the general fund, but these funds were not remitted to the general fund as of June 30, 2024. Also, there was \$25,648 owed to the water and sewer fund from the general fund due to a payroll tax posting error and \$20,804 owed from the water and sewer fund to the general fund for the purchase of a capital asset which was paid out of the wrong fund. These amounts were not remitted between the funds as of June 30, 2024.

NOTE J – RESTATEMENT

Fund balance and net position at June 30, 2023 has been restated to correct recorded accrued vacation balances and record grants receivable balances which were not previously recorded:

	<u>General Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Balance at June 30, 2023, as originally reported	\$ 1,165,155	\$ 3,615,646	\$ 5,529,738
Correct accrued vacation balances	26,741	26,741	46,360
Record grants receivable	<u>0</u>	<u>0</u>	<u>66,274</u>
	<u>26,741</u>	<u>26,741</u>	<u>112,634</u>
Balance at June 30, 2023, as restated	<u>\$ 1,191,896</u>	<u>\$ 3,642,388</u>	<u>\$ 5,642,373</u>

As a result of the restatement, the change in fund balance/net position for the general fund, governmental activities and business-type activities for the year ended June 30, 2023 should have been \$(186,536), \$(3,879) and \$(57,843), respectively.

NOTE K – EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2024, expenditures exceeded appropriations in the drug fund by \$715. Expenditures that exceed appropriations are a violation of state statutes.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2024

	Measurement Date at June 30,			
	2023	2022	2021	2020
<u>Total pension liability</u>				
Service cost	\$ 88,162	\$ 79,625	\$ 77,151	\$ 71,794
Interest	237,786	221,331	194,126	189,693
Differences between actual and expected experience	55,315	69,032	133,126	(112,040)
Changes of assumptions	0	0	319,650	0
Benefit payments, including refunds of employee contributions	(113,337)	(156,165)	(94,109)	(93,216)
Net change in total pension liability	267,926	213,823	629,944	56,231
Total pension liability - beginning	3,491,265	3,277,442	2,647,498	2,591,267
Total pension liability - ending (a)	3,759,191	3,491,265	3,277,442	2,647,498
<u>Plan fiduciary net position</u>				
Contributions - employer	78,963	37,673	34,444	34,293
Contributions - employee	52,853	51,048	46,672	46,468
Net investment income	222,581	(132,773)	720,386	132,664
Benefit payments, including refunds of employee contributions	(113,337)	(156,165)	(94,109)	(93,216)
Administrative expense	(2,009)	(2,172)	(1,948)	(2,144)
Net change in plan fiduciary net position	239,051	(202,389)	705,445	118,065
Plan fiduciary net position - beginning	3,303,053	3,505,442	2,799,997	2,681,932
Plan fiduciary net position - ending (b)	3,542,104	3,303,053	3,505,442	2,799,997
Net pension liability(asset) - ending (a) - (b)	<u>\$ 217,087</u>	<u>\$ 188,212</u>	<u>\$ (228,000)</u>	<u>\$ (152,499)</u>

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, 2024

	Measurement Date at June 30,			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Plan fiduciary net position as a percentage of total net pension liability	94.23%	94.61%	106.96%	105.76%
Covered employee payroll	\$ 1,057,066	\$ 1,020,951	\$ 933,433	\$ 929,352
Net pension liability(asset) as a percentage of covered employee payroll	20.54%	(18.43)%	(24.43)%	(16.41)%

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, 2024			
	2024	Year Ended June 30,		2021
		2023	2022	
Actuarially determined contribution	\$ 79,344	\$ 78,963	\$ 36,550	\$ 33,417
Contributions in relation to the actuarially determined contribution	<u>(79,344)</u>	<u>(78,963)</u>	<u>(37,673)</u>	<u>(34,444)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,123)</u>	<u>\$ (1,027)</u>
Covered employee payroll	\$ 1,062,169	\$ 1,057,066	\$1,020,951	\$ 933,433
Contributions as a percentage of covered employee payroll	7.47%	7.47%	3.69%	3.69%

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2024 were calculated based on the June 30, 2022 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.

2020	2019	Year Ended June 30,		2016	2015
		2018	2017		
\$ 33,271	\$ 34,710	\$ 32,434	\$ 33,439	\$ 10,844	\$ 10,710
<u>(34,293)</u>	<u>(34,710)</u>	<u>(32,434)</u>	<u>(33,439)</u>	<u>(10,844)</u>	<u>(10,710)</u>
<u>\$ (1,022)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 929,352	\$ 940,652	\$ 878,912	\$ 995,202	\$ 896,239	\$ 885,109
3.69%	3.69%	3.69%	3.36%	1.21%	1.21%

Changes of Assumptions

In 2021 the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost of living adjustment from 2.25% to 2.125%; and modified mortality 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, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>Water and Sewer Fund - Certificates of Deposit</u>			
Truist Bank 19048	0.01	12/14/24	\$ 100,000

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2024

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2023</u>
2024	\$ 2.00	\$ 30,548,969	\$ 616,872	\$ 0
2023	2.00	31,732,490	634,650	634,650
2022	2.00	30,097,142	601,943	52,513
2021	2.00	33,365,186	667,304	28,432
2020	2.00	32,768,312	655,366	16,952
2019	2.00	26,482,671	529,653	12,158
2018	2.00	24,313,027	486,261	5,902
2017	2.00	24,976,065	492,106	6,339
2016	2.00	24,589,853	486,327	5,713
2015	1.60	25,095,225	401,524	3,539
2014	1.60	24,033,352	384,524	<u>1,043</u>
				<u>\$ 767,240</u>

Property taxes unpaid for 2015 through 2022 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, 2024</u>
\$ 616,872	\$ 0	\$ 0	\$ 616,872
0	(29,669)	542,027	62,954
0	0	24,973	27,540
0	0	7,559	20,873
0	0	8,115	8,837
0	0	1,836	10,322
0	0	922	4,980
0	0	1,248	5,091
0	0	964	4,749
0	0	964	2,575
<u>0</u>	<u>0</u>	<u>1,043</u>	<u>0</u>
<u>\$ 616,872</u>	<u>\$ (29,669)</u>	<u>\$ 589,649</u>	<u>\$ 764,794</u>

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2024

	<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>			
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>\$ 34,500</u>	<u>\$ 3,152</u>	<u>\$ 37,652</u>
General Obligation Capital Outlay Refunding Note, Series 2021			
<u>Year Ending June 30:</u>			
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	<u>15,300</u>	<u>202</u>	<u>15,502</u>
	<u>\$ 107,500</u>	<u>\$ 11,921</u>	<u>\$ 119,421</u>

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
State of Tennessee Rural Development Loan			
<u>Year Ending June 30:</u>			
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
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	9,531	171	9,702
	<u>\$ 134,622</u>	<u>\$ 59,087</u>	<u>\$ 193,710</u>

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #2018-418			
<u>Year Ending June 30:</u>			
2025	\$ 87,120	\$ 492	\$ 87,612
2026	<u>50,769</u>	<u>171</u>	<u>50,940</u>
	<u>\$ 137,889</u>	<u>\$ 663</u>	<u>\$ 138,552</u>

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2024

<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	\$ 118,000	2.490 %	6/30/2015
Capitalization Outlay Extension Note, Series 2021	66,400	2.500	3/1/2021
General Obligation Capital Outlay Refunding Note, Series 2021	141,400	2.640	1/29/2021
<u>Business-Type Activities</u>			
State of Tennessee CWSRF Loan #2018-418	470,000	0.500	6/30/2019
State of Tennessee CWSRF Loan #2023-482	N/A	1.730	8/21/2023
State of Tennessee Rural Development Loan	200,000	4.375	6/30/2004

All draws on the State Revolving Fund loan 2023-482 had not been completed at June 30, 2024. For this reason, the amount of issue has yet to be determined.

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2023</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2024</u>
6/30/2027	\$ 45,000	\$ 0	\$ 10,500	\$ 0	\$ 34,500
6/30/2024	44,000	0	44,000	0	0
6/30/2032	<u>118,800</u>	<u>0</u>	<u>11,300</u>	<u>0</u>	<u>107,500</u>
	<u>\$ 207,800</u>	<u>\$ 0</u>	<u>\$ 65,800</u>	<u>\$ 0</u>	<u>\$ 142,000</u>
6/30/2026	\$ 224,565	\$ 0	\$ 86,676	\$ 0	\$ 137,889
N/A	0	50,013	0	0	50,013
6/30/2042	<u>139,469</u>	<u>0</u>	<u>4,847</u>	<u>0</u>	<u>134,622</u>
	<u>\$ 364,034</u>	<u>\$ 50,013</u>	<u>\$ 91,523</u>	<u>\$ 0</u>	<u>\$ 322,524</u>

CITY OF ROCKY TOP, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2024

<u>Federal Grantor/Pass- Through Grantor/Program Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Treasury/ Anderson County, Tennessee / Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 50,000
U.S. Department of Treasury/ Tennessee Department of Environment and Conservation/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>98,207</u>
Total Coronavirus State and Local Fiscal Recovery Funds			148,207
U.S. Department of Housing and Urban Development/Tennessee Department of Economic and Community Development/ Community Development Block Grant	14.228	N/A	44,478
Federal Emergency Management Agency Assistance to Firefighters Grant	97.044	N/A	43,810
U.S. Environmental Protection Agency/Tennessee Department of Environment and Conservation/ Clean Water State Revolving Fund Loan	66.458	2023-482	216,162

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

(continued)

Year Ended June 30, 2024

<u>Federal Grantor/Pass- Through Grantor/Program Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Appalachian Regional Commission/ Tennessee Department of Economic and Community Development/Sewer System Improvement	23.002	33004-45922	36,403
National Highway Traffic Safety Administration/Tennessee Department of Safety and Homeland Security/ High Visibility Law Enforcement	20.600	Z-24-THS-240	<u>2,539</u>
Total Federal Awards			491,599
<u>State Financial Assistance</u>			
Tennessee Law Enforcement Training Academy/Law Enforcement Hiring, Training and Recruiting Program	N/A	N/A	15,000
Tennessee Department of Finance and Administration/Violent Crime Intervention Fund	N/A	N/A	84,583
Tennessee Department of Commerce and Insurance/Rescue Squads Grant Program	N/A	N/A	<u>21,203</u>
			<u>\$ 612,385</u>

CITY OF ROCKY TOP, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

(continued)

Year Ended June 30, 2024

BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Rocky Top, Tennessee under programs of the federal and state governments for the year ended June 30, 2024. 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.

OTHER INFORMATION

CITY OF ROCKY TOP, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2024

WATER

Inside City limits:

First 1,000 gallons (minimum billing)	\$ 19.83
Over 1,000 gallons (per thousand)	11.34

Outside City limits:

First 1,000 gallons (minimum billing)	23.06
Over 1,000 gallons (per thousand)	14.42

Tap fee ranges from \$900.00 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 \$950.00 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, 2024

SOLID WASTE

Residential	\$ 17.00
Commercial	42.00

METERED CUSTOMERS

Water	792
Sewer	746
Solid Waste	621

CITY OF ROCKY TOP, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2024

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, 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, 2024, and the related notes to the financial statements, which collectively comprise City of Rocky Top, Tennessee's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

December 20, 2024

CITY OF ROCKY TOP, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2024

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2023-001	Financial Oversight (original finding No. 2023-001)	Corrected