

Financial Statements

CITY OF ROCKY TOP, TENNESSEE

Year Ended June 30, 2025

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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, 2025, 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, 2025, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, state street aid fund and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 schedule of expenditures of federal awards and state financial assistance is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements for Federal Awards*, and is also not a part of the basic financial statements.

The schedules of 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 do 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 22, 2025 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 22, 2025

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, 2025**

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, 2025. 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, 2025 was \$12,727,501 (\$9,599,884 in 2024).
- The City's net position increased by \$3,127,619 during the year ended June 30, 2025 (increased by \$315,124 in 2024).
- At June 30, 2025 the City's governmental funds reported combined ending fund balances of \$1,594,610, an increase of \$228,325 for the year ended June 30, 2025. 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. As of June 30, 2025 \$1,433,637 (\$1,209,035 in 2024) of governmental fund balances is unassigned and available for ongoing operations.
- At June 30, 2025 the unassigned general fund balance was \$1,433,637 (\$1,209,035 in 2024) or 60 percent (54 percent in 2024) 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 findings and questioned costs.

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, 2025 the City's net position was \$12,727,501 (\$9,599,884 in 2024).

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>2025</u>	<u>2024</u>
ASSETS		
Current assets	\$ 5,248,411	\$ 4,679,757
Capital assets, net of accumulated depreciation	<u>12,004,227</u>	<u>6,825,260</u>
	17,252,638	11,505,017
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>650,889</u>	<u>462,738</u>
	<u>\$ 17,903,528</u>	<u>\$ 11,967,755</u>
 LIABILITIES		
Current liabilities	\$ 1,102,920	\$ 663,264
Noncurrent liabilities	<u>2,849,959</u>	<u>566,719</u>
	3,952,879	1,229,983
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	722,075	616,872
Deferred grant revenue	441,038	478,538
Deferred inflows related to pension	<u>60,033</u>	<u>42,477</u>
	1,223,146	1,137,888
 NET POSITION		
Net investment in capital assets	9,497,767	6,360,736
Restricted	337,135	110,059
Unrestricted	<u>2,892,599</u>	<u>3,129,089</u>
	<u>12,727,501</u>	<u>9,599,884</u>
	<u>\$ 17,903,528</u>	<u>\$ 11,967,755</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>2025</u>	<u>2024</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 1,904,169	\$ 1,750,078
Operating grants and contributions	122,996	109,846
Capital grants and contributions	3,123,042	378,684
General Revenue:		
Taxes	1,511,197	1,488,872

	<u>2025</u>	<u>2024</u>
Intergovernmental	313,963	234,002
Interest income	72,997	19,826
Insurance recoveries	124,196	51,876
Miscellaneous	<u>14,229</u>	<u>16,408</u>
	7,186,789	4,049,592
EXPENSES		
General government	634,285	882,799
Public safety	1,214,804	947,143
Public welfare	174,891	101,913
Public works	297,744	276,549
Streets and highways	111,701	114,513
Water and sewer	<u>1,625,743</u>	<u>1,411,551</u>
	<u>4,059,168</u>	<u>3,734,468</u>
Change in net position	3,127,619	315,124
Net position at the beginning of the year	9,599,884	9,145,384
Restatement	<u>0</u>	<u>139,375</u>
	<u>9,599,884</u>	<u>9,284,761</u>
Net position at the end of the year	<u>\$ 12,727,501</u>	<u>\$ 9,599,884</u>

Governmental Activities - During the year ended June 30, 2025, governmental activities increased the City's net position by \$38,358 (increased by \$50,756 in 2024) mostly due to an increase in fees, operating grants, insurance recoveries 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, 2025, business-type activities increased the City's net position by \$3,089,261 (increased by \$264,368 in 2024). The difference in the current year's result compared to the prior year was primarily due to an increase in capital grants, insurance recoveries and interest income.

Capital Assets

The City's investment in capital assets as of June 30, 2025 was \$12,004,227 (\$6,825,260 in 2024) net of accumulated depreciation.

	<u>2025</u>	<u>2024</u>
Land	\$ 517,301	\$ 389,676
Land improvements	27,203	9,283
Construction in process	6,224,089	821,330

	<u>2025</u>	<u>2024</u>
Buildings	1,648,321	1,609,728
Water distribution system	2,748,784	2,748,784
Sewer collection system	8,537,790	8,537,790
Vehicles and equipment	2,892,263	2,715,277
Infrastructure	553,763	553,763
Accumulated depreciation	<u>(11,145,288)</u>	<u>(10,560,370)</u>
	<u>\$ 12,004,227</u>	<u>\$ 6,825,260</u>

The major capital asset additions during the year ended June 30, 2025 were as follows:

Building	\$ 38,593
Land	127,625
Land improvements	17,920
Vehicles and equipment	176,987
Construction in process	<u>5,402,759</u>
	<u>\$ 5,763,884</u>

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

Debt Administration

At June 30, 2025 the City's governmental funds had outstanding debt of \$294,300 (\$142,000 in 2024) consisting of the following:

	<u>2025</u>	<u>2024</u>
Notes payable	\$ 294,300	\$ 142,000
Less: current portion due	<u>(34,500)</u>	<u>(22,700)</u>
Total long-term debt-principal	<u>\$ 259,800</u>	<u>\$ 119,300</u>

During the year ended June 30, 2025, the City retired \$22,700 (\$65,800 in 2024) of its governmental funds debt.

At June 30, 2025 the City's proprietary fund had outstanding debt of \$2,212,157 (\$322,524 in 2024) consisting of the following:

	<u>2025</u>	<u>2024</u>
Notes payable	\$ 2,082,607	\$ 187,902
RDA loans	<u>129,550</u>	<u>134,622</u>
Total debt-principal	2,212,157	322,524
Less: current portion due	<u>(56,068)</u>	<u>(92,192)</u>
Total long-term debt-principal	<u>\$ 2,156,092</u>	<u>\$ 230,332</u>

During the year ended June 30, 2025, the City retired \$92,192 (\$91,523 in 2024) 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 \$228,256 during the year ended June 30, 2025 (increased by \$64,329 in 2024).

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 \$1,172,342 during the year ended June 30, 2025 and \$1,569,922 during the year ended June 30, 2024.

Fund Budgetary Highlights

During the year ended June 30, 2025, budgeted final 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, 2025, final amended budgeted revenue of the general fund increased approximately \$352,300 mostly due to increased budgeted insurance recovery and grant revenue amounts. Final amended budgeted expenditures increased approximately \$465,919 from original budgeted expenditures mostly due to increased budgeted amounts for capital outlay 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, 2026. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2025.

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, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 847,317	\$ 824,929	\$ 1,672,246
Restricted cash	0	227,006	227,006
Local Government Investment Pool	1,088,985	647,256	1,736,241
Accounts receivable, net of allowance for uncollectible accounts	0	230,233	230,233
Property taxes receivable	830,114	0	830,114
Due from other governments	48,647	0	48,647
Other taxes receivable	119,469	0	119,469
Grant receivable	3,704	281,790	285,494
Internal balances	(13,348)	13,348	0
Prepaid expenses	50,844	34,446	85,290
Materials and supplies	0	13,673	13,673
Capital assets not being depreciated	448,893	6,292,498	6,741,391
Capital assets being depreciated, net of accumulated depreciation	<u>1,746,521</u>	<u>3,516,315</u>	<u>5,262,836</u>
	5,171,145	12,081,493	17,252,638
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>497,043</u>	<u>153,846</u>	<u>650,889</u>
	<u>\$ 5,668,188</u>	<u>\$ 12,235,340</u>	<u>\$ 17,903,528</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 56,962	\$ 614,667	\$ 671,629
Retainage payable	0	226,967	226,967
Accrued salaries	37,853	10,474	48,327
Accrued vacation	15,154	6,267	21,421
Customer deposits	0	65,429	65,429
Net pension liability	315,306	97,340	412,646
Current portion of long-term debt	34,500	56,068	90,568
Long-term debt, net of current portion	<u>259,800</u>	<u>2,156,092</u>	<u>2,415,892</u>
	719,575	3,233,304	3,952,879
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	722,075	0	722,075
Deferred grant revenue	441,038	0	441,038
Deferred inflows related to pension	<u>54,000</u>	<u>6,033</u>	<u>60,033</u>
	1,217,113	6,033	1,223,146
NET POSITION			
Net investment in capital assets	1,901,114	7,596,653	9,497,767
Restricted:			
Drug enforcement	13,315	0	13,315
Street improvement	96,814	0	96,814
Construction	0	227,006	227,006
Unrestricted	<u>1,720,257</u>	<u>1,172,342</u>	<u>2,892,599</u>
	<u>3,731,500</u>	<u>8,996,001</u>	<u>12,727,501</u>
	<u>\$ 5,668,188</u>	<u>\$ 12,235,340</u>	<u>\$ 17,903,528</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	<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	\$ 634,285	\$ 36,855	\$ 30,000	\$ 0
Public safety	1,214,804	115,887	25,178	39,098
Public welfare	174,891	6,620	10,150	0
Streets and highways	111,701	0	57,668	0
Public works	<u>297,744</u>	<u>142,758</u>	<u>0</u>	<u>0</u>
Total governmental activities	2,433,425	302,120	122,996	39,098
Business-Type Activities:				
Water and sewer	<u>1,625,743</u>	<u>1,602,049</u>	<u>0</u>	<u>3,083,944</u>
	<u>\$ 4,059,168</u>	<u>\$ 1,904,169</u>	<u>\$ 122,996</u>	<u>\$ 3,123,042</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (567,430)	\$ 0	\$ (567,430)
(1,034,641)	0	(1,034,641)
(158,121)	0	(158,121)
(54,033)	0	(54,033)
(154,986)	0	(154,986)
(1,969,211)	0	(1,969,211)
0	3,060,250	3,060,250
\$ (1,969,211)	\$ 3,060,250	\$ 1,091,039

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2025

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

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

Intergovernmental

Interest income

Insurance recoveries

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (1,969,211)	\$ 3,060,250	\$ 1,091,039
612,084	0	612,084
29,345	0	29,345
22,926	0	22,926
617,833	0	617,833
35,514	0	35,514
56,101	0	56,101
92,203	0	92,203
29,966	0	29,966
15,225	0	15,225
313,963	0	313,963
43,984	29,013	72,997
124,196	0	124,196
14,229	0	14,229
<u>2,007,569</u>	<u>29,013</u>	<u>2,036,582</u>
38,358	3,089,261	3,127,619
<u>3,693,144</u>	<u>5,906,740</u>	<u>9,599,884</u>
<u>\$ 3,731,500</u>	<u>\$ 8,996,001</u>	<u>\$ 12,727,501</u>

CITY OF ROCKY TOP, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	State Street Aid Fund	Drug Fund	Totals
ASSETS				
Cash	\$ 747,167	\$ 86,836	\$ 13,315	\$ 847,317
Local Government Investment Pool	1,088,985	0	0	1,088,985
Property taxes receivable	830,114	0	0	830,114
Grants receivable	3,704	0	0	3,704
Other taxes receivable	119,469	0	0	119,469
Due from other governments	38,840	9,807	0	48,647
Due from other funds	0	4,746	0	4,746
Prepaid expenses	50,844	0	0	50,844
	<u>\$ 2,879,122</u>	<u>\$ 101,388</u>	<u>\$ 13,315</u>	<u>\$ 2,993,825</u>
LIABILITIES				
Accounts payable	\$ 52,388	\$ 4,574	\$ 0	\$ 56,962
Accrued salaries and vacation	53,007	0	0	53,007
Due to other funds	18,094	0	0	18,094
	123,488	4,574	0	128,062
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	830,114	0	0	830,114
Deferred grant revenue	441,038	0	0	441,038
	1,271,152	0	0	1,271,152
FUND BALANCES				
Nonspendable	50,844	0	0	50,844
Restricted	0	96,814	13,315	110,129
Unassigned	1,433,637	0	0	1,433,637
	<u>1,484,481</u>	<u>96,814</u>	<u>13,315</u>	<u>1,594,610</u>
	<u>\$ 2,879,122</u>	<u>\$ 101,388</u>	<u>\$ 13,315</u>	<u>\$ 2,993,825</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, 2025

Total Fund Balance - Governmental Funds	\$ 1,594,610
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.	2,195,414
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 liability	(315,306)
Deferred outflows of resources	497,043
Deferred inflows of resources	(54,000)
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.	108,041
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	<u>(294,300)</u>
Net Position of Governmental Activities	<u>\$ 3,731,500</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, 2025

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property tax	\$ 651,967	\$ 0	\$ 0	\$ 651,967
Interest and penalty	29,345	0	0	29,345
In-Lieu of tax payments	22,926	0	0	22,926
Local sales tax	617,833	0	0	617,833
Business tax	35,514	0	0	35,514
Room occupancy tax	56,101	0	0	56,101
Wholesale beer tax	92,203	0	0	92,203
Wholesale liquor tax	29,966	0	0	29,966
Cable TV franchise tax	15,225	0	0	15,225
Intergovernmental	373,838	57,668	0	431,506
Licenses and permits	12,855	0	0	12,855
Charges for services	149,378	0	0	149,378
Fines and forfeitures	109,605	0	6,282	115,887
Other	250,958	0	0	250,958
	<u>2,447,714</u>	<u>57,668</u>	<u>6,282</u>	<u>2,511,664</u>
TOTAL REVENUE	2,447,714	57,668	6,282	2,511,664

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, 2025

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
EXPENDITURES				
Current:				
General government	583,446	0	0	583,446
Public safety	1,047,109	0	3,890	1,050,999
Public works	248,495	0	0	248,495
Streets and highways	0	59,991	0	59,991
Public welfare	173,615	0	0	173,615
Capital outlay	315,541	0	0	315,541
Debt service	26,252	0	0	26,252
	<u>2,394,458</u>	<u>59,991</u>	<u>3,890</u>	<u>2,458,339</u>
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES	53,256	(2,323)	2,392	53,325
OTHER FINANCING SOURCES				
Proceeds from issuance of capital outlay note	<u>175,000</u>	<u>0</u>	<u>0</u>	<u>175,000</u>
NET CHANGES IN FUND BALANCES	228,256	(2,323)	2,392	228,325
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>1,256,227</u>	<u>99,137</u>	<u>10,922</u>	<u>1,366,286</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 1,484,481</u>	<u>\$ 96,814</u>	<u>\$ 13,315</u>	<u>\$ 1,594,610</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, 2025

Net Changes in Fund Balances	\$ 228,325
<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	315,541
Depreciation expense	(286,045)
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.</p>	
	59,605
<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>	
	(86,887)
<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, 2024	(147,922)
Deferred tax revenue - June 30, 2025	108,041
<p>Long-term debt provides current financial resources in the governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities.</p>	
	(175,000)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.</p>	
	22,700
Change in Net Position of Governmental Activities	<u>\$ 38,358</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, 2025

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property tax	\$ 625,000	\$ 655,000	\$ 651,967	\$ (3,033)
Interest and penalty	20,000	29,000	29,345	345
In-Lieu of tax payments	30,497	30,497	22,926	(7,571)
Local sales tax	615,000	615,000	617,833	2,833
Business tax	52,000	52,000	35,514	(16,486)
Room occupancy tax	70,000	70,000	56,101	(13,899)
Wholesale beer tax	95,000	95,000	92,203	(2,797)
Wholesale liquor tax	33,500	33,500	29,966	(3,534)
Cable TV franchise tax	20,000	20,000	15,225	(4,775)
	1,560,997	1,599,997	1,551,081	(48,916)
Intergovernmental:				
Corporate excise tax	4,500	10,000	9,954	(46)
State beer tax	750	750	685	(65)
State sales tax	215,000	215,000	207,730	(7,270)
Telecommunications tax	2,300	2,300	2,838	538
T.V.A. In-Lieu of tax payments	20,000	20,000	20,278	278
City streets and transportation funds	2,980	2,980	2,478	(502)
Governor's Highway Safety Grant	6,400	11,200	14,200	3,000
Other grants	0	0	1,598	1,598
Coronavirus State and Local Fiscal Recovery Funds	65,000	65,000	37,500	(27,500)
Police equipment grants	0	0	6,578	6,578
Firefighter equipment grant	0	70,000	70,000	0
	316,930	397,230	373,838	(23,392)

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, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Licenses and permits:				
Beer licenses	2,500	2,500	4,300	1,800
Building permits	<u>10,000</u>	<u>10,000</u>	<u>8,555</u>	<u>(1,445)</u>
	12,500	12,500	12,855	355
Charges for services:				
Parks and recreation charges	8,000	8,000	6,620	(1,380)
Sanitation charges	<u>163,000</u>	<u>163,000</u>	<u>142,758</u>	<u>(20,242)</u>
	171,000	171,000	149,378	(21,622)
Fines and forfeitures	40,500	100,500	109,605	9,105
Other revenue:				
Contributions	13,200	13,200	44,550	31,350
Miscellaneous revenue	26,500	130,500	58,213	(72,287)
Contributions from emergency communications district	2,000	2,000	0	(2,000)
Insurance recoveries	40,000	109,000	124,196	15,196
Rent	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>0</u>
	<u>105,700</u>	<u>278,700</u>	<u>250,958</u>	<u>(27,742)</u>
TOTAL REVENUE	2,207,627	2,559,927	2,447,714	(112,213)
EXPENDITURES				
Legislative:				
Salaries and wages	3,600	3,600	3,600	0
Employee education and training	1,000	1,000	0	(1,000)
Public relations	500	500	14	(486)
Subscriptions	<u>2,500</u>	<u>2,500</u>	<u>3,460</u>	<u>960</u>
	7,600	7,600	7,074	(526)

CITY OF ROCKY TOP, TENNESSEE

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

(continued)

Year Ended June 30, 2025

	Budget		Actual	Variance Over (Under)
	Original	Final		
Judicial:				
Salaries and wages	6,000	6,000	6,000	0
Court costs	15,700	15,700	3,721	(11,979)
	<u>21,700</u>	<u>21,700</u>	<u>9,721</u>	<u>(11,979)</u>
Financial administration:				
Salaries and wages	104,271	104,271	94,582	(9,689)
Hospital and health insurance	38,986	38,986	41,606	2,620
Retirement	6,900	6,900	6,220	(680)
Employee education and training	2,500	2,500	2,039	(461)
Dues and subscriptions	5,000	5,000	1,152	(3,848)
Professional services	500	500	375	(125)
Travel	3,000	3,000	3,963	963
Operating supplies	2,000	2,000	4,788	2,788
	<u>163,157</u>	<u>163,157</u>	<u>154,725</u>	<u>(8,432)</u>
General government buildings:				
Salaries and wages	17,000	17,000	14,972	(2,028)
Codes administration	9,200	9,200	9,178	(22)
Retirement	540	540	680	140
Employee education and training	500	500	420	(80)
Utilities	41,500	41,500	46,004	4,504
Telephone	16,720	16,720	13,727	(2,993)
Professional services	5,300	11,300	10,495	(805)
Repairs and maintenance	1,500	21,000	13,724	(7,276)
Operating supplies	6,100	6,100	7,210	1,110
	<u>98,360</u>	<u>123,860</u>	<u>116,410</u>	<u>(7,450)</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, 2025

	Budget		Actual	Variance Over (Under)
	Original	Final		
Other general government:				
OASDI	72,000	72,000	72,177	177
Workers' compensation	36,000	36,000	32,409	(3,591)
Office supplies	8,500	8,500	5,897	(2,603)
Professional services	66,000	77,000	71,563	(5,437)
Unemployment insurance	488	488	437	(51)
Liability insurance	46,000	69,000	65,998	(3,002)
Dispatch services	45,000	45,000	45,000	0
Miscellaneous	1,965	1,965	2,034	69
Bank charges	2,500	2,500	0	(2,500)
	<u>278,453</u>	<u>312,453</u>	<u>295,515</u>	<u>(16,938)</u>
Police department:				
Salaries and wages	456,867	460,467	423,307	(37,160)
Hospital and health insurance	151,599	151,599	119,565	(32,034)
Retirement	31,971	31,971	27,885	(4,086)
Training and travel	7,000	8,500	2,962	(5,538)
Dues and subscriptions	1,200	1,200	1,012	(188)
Data processing services	8,380	10,000	8,738	(1,262)
Repairs and maintenance	0	5,000	2,174	(2,826)
Operating supplies	2,000	2,000	2,052	52
Office supplies	100	100	256	156
Small items of equipment	6,000	16,000	16,093	93
Uniforms	5,400	10,500	10,112	(388)
Firearms supplies	800	800	953	153
Gasoline and oil	25,000	25,000	26,324	1,324
Vehicle maintenance	6,000	21,000	18,869	(2,131)
	<u>702,317</u>	<u>744,137</u>	<u>660,302</u>	<u>(83,835)</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, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Fire department:				
Salaries and wages	209,125	209,125	215,644	6,519
Hospital and health insurance	73,165	73,165	64,093	(9,072)
Retirement	17,328	17,328	14,001	(3,327)
Training and travel	3,500	3,500	2,464	(1,036)
Volunteer firemen	10,000	24,000	20,685	(3,315)
Uniforms	3,200	3,200	4,654	1,454
Dues and subscriptions	0	0	300	300
Insurance	1,000	1,000	65	(935)
Office supplies	2,700	6,100	6,257	157
Operating supplies	3,500	15,000	12,764	(2,236)
Small items of equipment	2,040	13,645	24,685	11,040
Gas, oil and grease	6,000	6,000	6,914	914
Vehicle maintenance	10,000	17,000	14,282	(2,718)
	<u>341,558</u>	<u>389,063</u>	<u>386,808</u>	<u>(2,255)</u>
Public works:				
Salaries and wages	214,817	214,817	179,831	(34,986)
Hospital and health insurance	2,177	2,177	1,349	(828)
Retirement	12,100	12,100	8,033	(4,067)
Uniforms	2,000	2,000	331	(1,669)
Professional services	13,000	13,000	3,390	(9,610)
Repair and maintenance	4,500	4,500	585	(3,915)
Office expense	0	0	299	299
Operating supplies	26,500	45,500	40,603	(4,897)
Gas, oil and grease	15,000	18,000	14,074	(3,926)
	<u>290,094</u>	<u>312,094</u>	<u>248,495</u>	<u>(63,599)</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, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Recreation:				
Salaries and wages	69,486	69,486	46,830	(22,656)
Hospital and health insurance	44,446	44,446	21,183	(23,263)
Retirement	4,929	4,929	2,786	(2,143)
Uniforms	500	500	79	(421)
Training	0	0	75	75
Professional services	500	500	2,162	1,662
Repairs and maintenance	32,000	32,000	37,997	5,997
Gasoline and oil	2,000	2,000	1,353	(647)
Small items of equipment	0	0	1,030	1,030
Operating supplies	6,000	6,000	18,185	12,185
Vehicle maintenance	500	500	441	(59)
	<u>160,361</u>	<u>160,361</u>	<u>132,120</u>	<u>(28,241)</u>
Tourism:				
Fourth of July event	20,000	20,000	23,204	3,204
Fireworks	5,000	5,000	322	(4,678)
	<u>25,000</u>	<u>25,000</u>	<u>23,526</u>	<u>(1,474)</u>
Libraries:				
Operating supplies	750	750	303	(447)
Anderson County Library Board	17,665	17,665	17,666	1
	<u>18,415</u>	<u>18,415</u>	<u>17,969</u>	<u>(446)</u>
Capital outlay	145,460	417,855	315,541	(102,314)
Debt service	<u>0</u>	<u>22,700</u>	<u>26,252</u>	<u>3,552</u>
TOTAL EXPENDITURES	<u>2,252,476</u>	<u>2,718,395</u>	<u>2,394,458</u>	<u>(323,937)</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, 2025

	Budget		Actual	Variance Over (Under)
	Original	Final		
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES	(44,849)	(158,469)	53,256	211,725
OTHER FINANCING SOURCES				
Proceeds from issuance of capital outlay note	<u>0</u>	<u>0</u>	<u>175,000</u>	<u>175,000</u>
NET CHANGES IN FUND BALANCE	(44,849)	(158,469)	228,256	386,725
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>997,082</u>	<u>997,082</u>	<u>1,256,227</u>	<u>259,145</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 952,233</u>	<u>\$ 838,613</u>	<u>\$ 1,484,481</u>	<u>\$ 645,868</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, 2025

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
State gasoline and motor fuel tax	\$ 58,608	\$ 58,608	\$ 57,668	\$ (940)
Interest	10	10	0	(10)
TOTAL REVENUE	58,618	58,618	57,668	(950)
EXPENDITURES				
Repairs and maintenance	4,000	4,000	5,780	1,780
Bank charges	250	250	0	(250)
Utilities	46,000	46,000	49,811	3,811
Operating supplies	6,000	6,000	4,400	(1,600)
Machinery and equipment	1,328	1,328	0	(1,328)
TOTAL EXPENDITURES	57,578	57,578	59,991	2,413
NET CHANGES IN FUND BALANCE	1,040	1,040	(2,323)	(3,363)
FUND BALANCE AT THE BEGINNING OF THE YEAR	112,468	112,468	99,137	(13,331)
FUND BALANCE AT THE END OF THE YEAR	\$ 113,508	\$ 113,508	\$ 96,814	\$ (16,694)

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, 2025

	Budget			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Drug related fines	\$ 1,000	\$ 1,000	\$ 6,282	\$ 5,282
EXPENDITURES				
Operating supplies	1,000	2,400	350	(2,050)
Vehicle maintenance	0	3,000	3,540	540
Capital outlay	0	4,600	0	(4,600)
	<u>1,000</u>	<u>10,000</u>	<u>3,890</u>	<u>(6,110)</u>
NET CHANGES IN FUND BALANCE	0	(9,000)	2,392	11,392
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>10,392</u>	<u>10,392</u>	<u>10,922</u>	<u>530</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 10,392</u>	<u>\$ 1,392</u>	<u>\$ 13,315</u>	<u>\$ 11,923</u>

See the accompanying notes to the financial statements.

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2025

CURRENT ASSETS

Cash		\$ 824,929
Local Government Investment Pool		647,256
Accounts receivable, net of allowance for uncollectible accounts of \$130,000		230,233
Grant receivable		281,790
Prepaid expenses		34,446
Due from general fund		13,348
Materials and supplies		<u>13,673</u>
		2,045,675

RESTRICTED ASSET

Cash		227,006
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CAPITAL ASSETS

Construction in process	\$ 6,153,977	
Land and land rights	138,521	
Equipment	417,602	
Buildings	389,622	
Water distribution system	2,748,784	
Sewer collection system	<u>8,537,790</u>	
	18,386,296	
Accumulated depreciation	<u>(8,577,483)</u>	9,808,813

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>153,846</u>
		<u>\$ 12,235,340</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	614,667
Retainage payable		226,967
Accrued salaries		10,474
Customer deposits		65,429
Current portion of long-term debt		<u>56,068</u>
		973,605

OTHER LIABILITY

Accrued vacation payable		6,267
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LONG-TERM DEBT,

net of current portion		2,156,092
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NET PENSION LIABILITY

97,340

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension		6,033
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NET POSITION

Net investment in capital assets	\$	7,596,653
Restricted for construction		227,006
Unrestricted		<u>1,172,342</u>
		<u>8,996,001</u>

\$ 12,235,340

CITY OF ROCKY TOP, TENNESSEE

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

Year Ended June 30, 2025

OPERATING REVENUE

Charges for services	\$ 1,535,191
Other operating revenue	<u>66,858</u>

TOTAL OPERATING REVENUE 1,602,049

OPERATING EXPENSES

Water transmission and distribution:

Water purchased for resale	\$ 172,996	
Salaries	84,721	
Retirement	6,368	
Training	11,247	
Hospital and health insurance	41,244	
Dues and subscriptions	3,690	
Operating supplies	65,859	
Uniforms	344	
Gasoline and oil	7,896	
Repairs and maintenance	<u>14,206</u>	408,571

Sewer treatment and disposal:

Salaries	109,044	
Retirement	9,137	
Training	195	
Hospital and health insurance	37,819	
Dues and subscriptions	150	
Utilities	77,879	
Gasoline and oil	4,186	
Repairs and maintenance	89,788	
Rent	24,000	
Landfill service	3,174	
Professional services	344	
Office supplies	718	
Operating supplies	165,016	
Clothing and uniforms	<u>206</u>	521,656

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, 2025

General and administrative:		
Salaries	103,326	
Payroll taxes	21,897	
Retirement	8,536	
Training	896	
Hospital and health insurance	40,770	
Professional services	127,859	
Office expenses	12,354	
Unemployment insurance	153	
Insurance	<u>56,530</u>	372,321
Depreciation		<u>298,872</u>
	TOTAL OPERATING EXPENSES	<u>1,601,420</u>
	INCOME FROM OPERATIONS	629
NONOPERATING REVENUE(EXPENSE)		
Interest income	29,013	
Interest expense	<u>(24,325)</u>	<u>4,689</u>
	INCOME BEFORE CAPITAL CONTRIBUTIONS	5,318
Capital contributions		<u>3,083,944</u>
	CHANGE IN NET POSITION	3,089,261
NET POSITION AT THE BEGINNING OF THE YEAR		<u>5,906,740</u>
	NET POSITION AT THE END OF THE YEAR	<u>\$ 8,996,001</u>

CITY OF ROCKY TOP, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2025

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

Cash received from customers		\$ 1,616,986
Cash paid to suppliers		(793,520)
Cash paid to employees		<u>(193,926)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 629,540

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

Acquisition of capital assets	\$ (5,448,343)	
Principal payments on long-term debt	(92,192)	
Capital contributions	3,087,037	
Proceeds from issuance from long-term debt	1,981,825	
Interest paid on debt	<u>(24,325)</u>	

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (495,998)

**CASH PROVIDED BY
INVESTING ACTIVITIES**

Decrease in certificates of deposit	100,000	
Interest received	<u>29,013</u>	<u>129,013</u>

NET INCREASE IN CASH 262,555

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

1,436,635

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

\$ 1,699,191

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, 2025

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

Income from operations		\$	629
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	\$	298,872	
Deferred retirement contributions		(26,358)	
Pension expense		24,041	
(Increase)decrease in:			
Accounts receivable		14,938	
Prepaid expenses		(4,181)	
Due from other funds		(148,612)	
Materials and supplies		18,103	
Increase in:			
Accounts payable		225,448	
Retainage payable		209,431	
Accrued salaries		3,106	
Accrued vacation		3,047	
Customer deposits		11,076	628,911
			<u>628,911</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$	<u>629,540</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

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, 2025 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, 2025

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, 2025

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, 2025.

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, 2025

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, 2025 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 4,763,218
Accumulated depreciation	(2,567,805)
Principal balance on long-term debt	<u>(294,300)</u>
	<u>\$ 1,901,114</u>

Business-Type Activities:

Capital assets	\$ 18,386,296
Accumulated depreciation	(8,577,483)
Principal balance on long-term debt	<u>(2,212,157)</u>
	<u>\$ 7,596,653</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

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. Net position is also restricted for construction projects. 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, 2025

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, 2025

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.

Changes in accrued vacation balances were as follows:

	<u>Balance at</u> <u>June 30, 2024</u>	<u>Net</u> <u>Additions</u>	<u>Net</u> <u>Retirements</u>	<u>Balance at</u> <u>June 30, 2025</u>
General fund	\$ 14,464	\$ 690	\$ 0	\$ 15,154
Water and sewer fund	<u>3,220</u>	<u>3,047</u>	<u>0</u>	<u>6,267</u>
Total	<u>\$ 17,684</u>	<u>\$ 3,737</u>	<u>\$ 0</u>	<u>\$ 21,421</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable is provided based upon historical trends. The allowance for uncollectible accounts at June 30, 2025 was as follows:

Proprietary fund	\$ 130,000
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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, 2025 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 79	\$ 200	\$ 279
Bank deposits (checking and savings accounts)	847,239	1,051,735	1,898,974
Local Government Investment Pool	<u>1,088,985</u>	<u>647,256</u>	<u>1,736,241</u>
Totals	<u>\$ 1,936,303</u>	<u>\$ 1,699,191</u>	<u>\$ 3,635,494</u>
Unrestricted	\$ 1,936,303	\$ 1,472,185	\$ 3,408,488
Restricted cash	<u>0</u>	<u>227,006</u>	<u>227,006</u>
	<u>\$ 1,936,303</u>	<u>\$ 1,699,191</u>	<u>\$ 3,635,494</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

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, 2025 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, 2025

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	<u>Balance</u> <u>7/1/24</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/25</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 251,155	\$ 127,625	\$ 0	\$ 378,780
Construction in process	<u>70,113</u>	<u>0</u>	<u>0</u>	<u>70,113</u>
	321,268	127,625	0	448,893
<u>Capital assets being depreciated</u>				
Land improvements	9,283	17,920	0	27,203
Infrastructure	553,763	0	0	553,763
Vehicles and equipment	2,320,153	154,508	0	2,474,661
Buildings	<u>1,243,211</u>	<u>15,488</u>	<u>0</u>	<u>1,258,699</u>
	4,126,410	187,916	0	4,314,326
<u>Accumulated depreciation</u>				
Land improvements	(2,473)	(1,573)	0	(4,047)
Infrastructure	(137,031)	(22,830)	0	(159,861)
Vehicles and equipment	(1,216,358)	(229,483)	0	(1,445,841)
Buildings	<u>(925,899)</u>	<u>(32,158)</u>	<u>0</u>	<u>(958,056)</u>
	<u>(2,281,760)</u>	<u>(286,045)</u>	<u>0</u>	<u>(2,567,805)</u>
	<u>\$ 2,165,917</u>	<u>\$ 29,496</u>	<u>\$ 0</u>	<u>\$ 2,195,414</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

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

General government	\$ 44,128
Public safety	144,633
Public welfare	36,112
Streets and highways	51,710
Solid waste	<u>9,460</u>
	<u>\$ 286,045</u>

<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
7/1/24			6/30/25

Business-Type Activities:

Capital assets not being depreciated

Land	\$ 138,521	\$ 0	\$ 0	\$ 138,521
Construction in process	<u>751,217</u>	<u>5,402,759</u>	<u>0</u>	<u>6,153,976</u>
	889,738	5,402,759	0	6,292,498

Capital assets being depreciated

Buildings	366,517	23,105	0	389,622
Vehicles and equipment	395,124	22,479	0	417,602
Water distribution plant	2,748,784	0	0	2,748,784
Sewer collection plant	<u>8,537,790</u>	<u>0</u>	<u>0</u>	<u>8,537,790</u>
	12,048,215	45,584	0	12,093,799

Accumulated depreciation

Buildings	(260,384)	(12,507)	0	(272,891)
Vehicles and equipment	(367,986)	(15,447)	0	(383,433)
Water distribution plant	(1,249,619)	(89,966)	0	(1,339,585)
Sewer collection plant	<u>(6,400,622)</u>	<u>(180,952)</u>	<u>0</u>	<u>(6,581,573)</u>
	<u>(8,278,610)</u>	<u>(298,872)</u>	<u>0</u>	<u>(8,577,483)</u>
	<u>\$ 4,659,343</u>	<u>\$ 5,149,471</u>	<u>\$ 0</u>	<u>\$ 9,808,813</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

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, 2025

Employees Covered by Benefit Terms

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>25</u>
	<u>71</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, 2025, employer contributions for the City were \$85,964 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, 2024, 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, 2024 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, 2025

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

The actuarial assumptions used in the June 30, 2024 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, 2025

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, 2024:			
Increase(decrease):			
Service cost	\$ 74,804	\$ 0	\$ 74,804
Interest	253,823	0	253,823
Differences between expected and actual experience	341,776	0	341,776
Contributions - employer	0	79,344	(79,344)
Contributions - employees	0	53,109	(53,109)
Net investment income	0	344,942	(344,942)
Benefit payments, including refunds of employee contributions	(147,319)	(147,319)	0
Administrative expense	<u>0</u>	<u>(2,551)</u>	<u>2,551</u>
Net changes for the year ended June 30, 2024	523,084	327,525	195,559
Balances at June 30, 2023	<u>3,759,191</u>	<u>3,542,104</u>	<u>217,087</u>
Balances at June 30, 2024	<u>\$ 4,282,275</u>	<u>\$ 3,869,629</u>	<u>\$ 412,646</u>

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

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

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

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current</u> <u>Discount Rate</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
Net pension liability(asset)	\$ 1,071,816	\$ 412,646	\$ (113,777)

Pension Expense

For the year ended June 30, 2025, the City recognized pension expense of \$110,928.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 427,931	\$ 18,675
Net difference between projected and actual earnings on pension plan investments	0	41,358
Changes of assumptions	136,994	0
Contributions subsequent to the measurement date of June 30, 2024	<u>85,964</u>	<u>not applicable</u>
Totals	<u>\$ 650,889</u>	<u>\$ 60,033</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” 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, 2025

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>	
2026	\$ 64,241
2027	184,894
2028	111,486
2029	46,618
2030	48,825
Thereafter	48,825

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, 2025.

Prior to June 30, 2025, the City entered into a contract related to sidewalk improvements totaling \$94,500; \$70,113 has been expended as of June 30, 2025.

Prior to June 30, 2025, the City entered into contracts related to engineering services for the wastewater treatment plant project totaling \$180,275; \$99,073 has been expended as of June 30, 2025.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2025 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Notes, Series 2015, payable in annual installments ranging from \$11,500 to \$12,000 including interest at 2.49% until maturity in 2027	\$ 23,500
General Obligation Capital Outlay Notes, Series 2025, payable in annual installments ranging from \$10,800 to \$19,100 including interest at 5.31% until maturity in 2037	175,000
General Obligation Capital Outlay Refunding Note, Series 2023, payable in annual installments ranging from \$12,200 to \$15,300 plus interest at 2.640% until maturity in 2032	95,800
	<u>294,300</u>
Less current maturities	<u>(34,500)</u>
	<u>\$ 259,800</u>

Business-Type Activities:

State of Tennessee CWSRF Loan #2018-418, due in varying monthly installments plus interest at .500% until maturity in 2026	\$ 50,769
State of Tennessee Rural Development Loan, due in monthly installments of \$902 including interest at 4.375% until maturity in 2042	129,550
State of Tennessee CWSRF Loan #2023-483, interest rate at 1.73%, payment amounts not yet determined	627,750
State of Tennessee CWSRF Loan #2023-482-01, interest rate at 1.73%, payment amounts not yet determined	773,481

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

Business-Type Activities(continued):

State of Tennessee CWSRF Loan #2023-482, interest rate at 1.73%, payment amounts not yet determined	<u>630,607</u>
	2,212,157
Less current maturities	<u>(56,068)</u>
	<u>\$ 2,156,092</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.

Changes in long-term debt for the year ended June 30, 2025 were as follows:

	<u>Balance</u> <u>7/1/24</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/25</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Notes payable	<u>\$ 142,000</u>	<u>\$ 175,000</u>	<u>\$ (22,700)</u>	<u>\$ 294,300</u>	<u>\$ 34,500</u>
<u>Business-Type Activities:</u>					
Notes payable	\$ 187,902	\$ 1,981,825	\$ (87,120)	\$ 2,082,607	\$ 50,769
Rural Development Loan	<u>134,622</u>	<u>0</u>	<u>(5,072)</u>	<u>129,550</u>	<u>5,299</u>
	<u>\$ 322,524</u>	<u>\$ 1,981,825</u>	<u>\$ (92,192)</u>	<u>\$ 2,212,157</u>	<u>\$ 56,068</u>

Interest costs incurred for the year ended June 30, 2025 were \$27,877.

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

Maturities of long-term debt as of June 30, 2025 are as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 34,500	\$ 12,095	\$ 46,595
2027	36,000	11,577	47,577
2028	25,100	9,815	34,915
2029	26,300	8,824	35,124
2030	27,500	7,787	35,287
2031	28,700	6,699	35,399
2032	30,000	5,560	35,560
2033	15,500	4,577	20,077
2034	16,300	3,754	20,054
2035	17,200	2,889	20,089
2036	18,100	1,975	20,075
2037	<u>19,100</u>	<u>1,014</u>	<u>20,114</u>
	<u>\$ 294,300</u>	<u>\$ 76,567</u>	<u>\$ 370,867</u>

Business-Type Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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

CITY OF ROCKY TOP, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2025

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>\$ 180,319</u>	<u>\$ 53,507</u>	<u>\$ 233,826</u>

Future maturities for the State of Tennessee CWSRF Loans #2023-482, #2023-482-01, and #2023-483 have not been determined and are not included in the amounts reported above.

NOTE I - INTERFUND BALANCES

Amounts due from the general fund to the state street aid fund totaling \$4,746 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, 2025. Amounts due from the general fund to the water and sewer fund totaling \$13,348 were for \$18,164 in water and sewer fund payments deposited into the general fund checking account, net of sanitation charges billed by the water and sewer fund in the amount of \$4,816 which were not remitted to the general fund as of June 30, 2025. These amounts were remitted between the funds subsequent to June 30, 2025.

NOTE J - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2025, expenditures exceeded appropriations in the state street aid fund by \$2,413. 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, 2025

	Measurement Date at June 30,			
	2024	2023	2022	2021
<u>Total pension liability</u>				
Service cost	\$ 74,804	\$ 88,162	\$ 79,625	\$ 77,151
Interest	253,823	237,786	221,331	194,126
Differences between actual and expected experience	341,776	55,315	69,032	133,126
Changes of assumptions	0	0	0	319,650
Benefit payments, including refunds of employee contributions	(147,319)	(113,337)	(156,165)	(94,109)
Net change in total pension liability	523,084	267,926	213,823	629,944
Total pension liability - beginning	3,759,191	3,491,265	3,277,442	2,647,498
Total pension liability - ending (a)	4,282,275	3,759,191	3,491,265	3,277,442
<u>Plan fiduciary net position</u>				
Contributions - employer	79,344	78,963	37,673	34,444
Contributions - employee	53,109	52,853	51,048	46,672
Net investment income	344,942	222,581	(132,773)	720,386
Benefit payments, including refunds of employee contributions	(147,319)	(113,337)	(156,165)	(94,109)
Administrative expense	(2,551)	(2,009)	(2,172)	(1,948)
Net change in plan fiduciary net position	327,525	239,051	(202,389)	705,445
Plan fiduciary net position - beginning	3,542,104	3,303,053	3,505,442	2,799,997
Plan fiduciary net position - ending (b)	3,869,629	3,542,104	3,303,053	3,505,442
Net pension liability(asset) - ending (a) - (b)	\$ 412,646	\$ 217,087	\$ 188,212	\$ (228,000)

See the accompanying independent accountants' audit report.

	Measurement Date at June 30,				
2020	2019	2018	2017	2016	2015
\$ 71,794	\$ 62,945	\$ 71,358	\$ 74,439	\$ 67,027	\$ 69,552
189,693	177,416	170,402	171,196	157,243	143,717
(112,040)	11,239	(35,897)	(159,035)	22,381	34,723
0	0	0	61,268	0	0
<u>(93,216)</u>	<u>(89,019)</u>	<u>(112,374)</u>	<u>(41,702)</u>	<u>(94,340)</u>	<u>(35,884)</u>
56,231	162,581	93,489	106,166	152,311	212,108
<u>2,591,267</u>	<u>2,428,686</u>	<u>2,335,197</u>	<u>2,229,031</u>	<u>2,076,720</u>	<u>1,864,612</u>
2,647,498	2,591,267	2,428,686	2,335,197	2,229,031	2,076,720
34,293	34,710	32,432	33,439	10,844	10,710
46,468	47,033	43,946	51,068	44,812	44,256
132,664	186,188	193,481	237,159	54,082	61,257
(93,216)	(89,019)	(112,374)	(41,702)	(94,340)	(35,884)
<u>(2,144)</u>	<u>(2,291)</u>	<u>(2,214)</u>	<u>(2,408)</u>	<u>(2,025)</u>	<u>(1,269)</u>
118,065	176,621	155,271	277,556	13,373	79,070
2,681,932	2,505,311	2,350,040	2,072,484	2,059,111	1,980,041
<u>2,799,997</u>	<u>2,681,932</u>	<u>2,505,311</u>	<u>2,350,040</u>	<u>2,072,484</u>	<u>2,059,111</u>
<u>\$ (152,499)</u>	<u>\$ (90,665)</u>	<u>\$ (76,625)</u>	<u>\$ (14,843)</u>	<u>\$ 156,547</u>	<u>\$ 17,609</u>

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

(continued)

June 30, 2025

	Measurement Date at June 30,			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Plan fiduciary net position as a percentage of total net pension liability	90.36%	94.23%	94.61%	106.96%
Covered employee payroll	\$ 1,024,612	\$ 1,057,066	\$ 1,020,951	\$ 933,433
Net pension liability(asset) as a percentage of covered employee payroll	40.27%	20.54%	(18.43)%	(24.43)%

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,				
<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
105.76%	103.50%	103.15%	100.64%	92.98%	99.15%
\$ 929,352	\$ 940,652	\$ 878,962	\$ 995,247	\$ 896,239	\$ 885,109
(16.41)%	(9.64)%	(8.72)%	(1.49)%	17.47%	1.99%

CITY OF ROCKY TOP, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2025

	2025	Year Ended June 30,		2022
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contribution	\$ 85,964	\$ 79,344	\$ 78,963	\$ 36,550
Contributions in relation to the actuarially determined contribution	<u>(85,964)</u>	<u>(79,344)</u>	<u>(78,963)</u>	<u>(37,673)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,123)</u>
Covered employee payroll	\$ 1,150,827	\$ 1,024,612	\$ 1,057,066	\$ 1,020,951
Contributions as a percentage of covered employee payroll	7.47%	7.74%	7.47%	3.69%

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2025 were calculated based on the June 30, 2023 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.

<u>2021</u>	<u>2020</u>	Year Ended June 30,		<u>2017</u>	<u>2016</u>
		<u>2019</u>	<u>2018</u>		
\$ 33,417	\$ 33,271	\$ 34,710	\$ 32,434	\$ 33,439	\$ 10,844
<u>(34,444)</u>	<u>(34,293)</u>	<u>(34,710)</u>	<u>(32,434)</u>	<u>(33,439)</u>	<u>(10,844)</u>
<u>\$ (1,027)</u>	<u>\$ (1,022)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 933,433	\$ 929,352	\$ 940,652	\$ 878,912	\$ 995,202	\$ 896,239
3.69%	3.69%	3.69%	3.69%	3.36%	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

PROPERTY TAXES RECEIVABLE

June 30, 2025

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2024</u>
2025	\$ 0.78	\$ 56,633,270	\$ 722,075	\$ 0
2024	0.50	30,548,969	616,872	616,872
2023	0.50	31,732,490	634,650	62,954
2022	0.50	30,097,142	601,943	27,540
2021	0.50	33,365,186	667,304	20,873
2020	0.50	32,768,312	655,366	8,837
2019	0.50	26,482,671	529,653	10,322
2018	0.50	24,313,027	486,261	4,980
2017	0.50	24,976,065	492,106	5,091
2016	0.50	24,589,853	486,327	4,749
2015	0.62	25,095,225	401,524	<u>2,575</u>
				<u>\$ 764,794</u>

Property taxes unpaid for 2016 through 2023 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, 2025</u>
\$ 722,075	\$ 0	\$ 0	\$ 722,075
0	(4,788)	568,988	43,096
0	0	39,233	23,721
0	0	15,608	11,932
0	0	11,085	9,788
0	0	3,719	5,119
0	0	8,346	1,976
0	0	1,172	3,808
0	0	727	4,364
0	0	515	4,234
<u>0</u>	<u>0</u>	<u>2,575</u>	<u>0</u>
<u>\$ 722,075</u>	<u>\$ (4,788)</u>	<u>\$ 651,967</u>	<u>\$ 830,114</u>

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2025

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
General Obligation Capital Outlay Notes, Series 2015			
Year Ending <u>June 30:</u>			
2026	\$ 11,500	\$ 1,054	\$ 12,554
2027	<u>12,000</u>	<u>818</u>	<u>12,818</u>
	<u>\$ 23,500</u>	<u>\$ 1,872</u>	<u>\$ 25,372</u>
General Obligation Capital Outlay Refunding Note, Series 2021			
Year Ending <u>June 30:</u>			
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>\$ 95,800</u>	<u>\$ 9,237</u>	<u>\$ 105,037</u>

See the accompanying independent accountants' audit report.

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2025

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Capital Outlay Notes, Series 2025			
<u>Year Ending June 30:</u>			
2026	\$ 10,800	\$ 8,673	\$ 19,473
2027	11,400	8,719	20,119
2028	12,000	8,114	20,114
2029	12,600	7,476	20,076
2030	13,300	6,807	20,107
2031	14,000	6,101	20,101
2032	14,700	5,358	20,058
2033	15,500	4,577	20,077
2034	16,300	3,754	20,054
2035	17,200	2,889	20,089
2036	18,100	1,975	20,075
2037	19,100	1,014	20,114
	<u>\$ 175,000</u>	<u>\$ 65,457</u>	<u>\$ 240,457</u>

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2025

	<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>			
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>\$ 129,550</u>	<u>\$ 53,336</u>	<u>\$ 182,886</u>

CITY OF ROCKY TOP, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2025

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #2018-418			
<u>Year Ending</u> <u>June 30:</u>			
2026	\$ 50,769	\$ 171	\$ 50,940

CITY OF ROCKY TOP, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2025

<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	\$ 118,000	2.490 %	6/30/2015
General Obligation Capital Outlay Notes, Series 2025	175,000	5.310	4/25/2025
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 #2023-482-01	N/A	1.730	8/21/2023
State of Tennessee CWSRF Loan #2023-482	N/A	1.730	8/21/2023
State of Tennessee CWSRF Loan #2023-483	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 of Tennessee CWSRF Loans #2023-482, #2023-482-01, and #2023-483 had not been completed at June 30, 2025. 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 7/1/2024</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2025</u>
6/30/2027	\$ 34,500	\$ 0	\$ 11,000	\$ 0	\$ 23,500
6/30/2037	0	175,000	0	0	175,000
6/30/2032	107,500	0	11,700	0	95,800
	<u>\$ 142,000</u>	<u>\$ 175,000</u>	<u>\$ 22,700</u>	<u>\$ 0</u>	<u>\$ 294,300</u>
6/30/2026	\$ 137,889	\$ 0	\$ 87,120	\$ 0	\$ 50,769
N/A	50,013	723,468	0	0	773,481
N/A	0	630,607	0	0	630,607
N/A	0	627,750	0	0	627,750
6/30/2042	134,622	0	5,072	0	129,550
	<u>\$ 322,524</u>	<u>\$ 1,981,825</u>	<u>\$ 92,192</u>	<u>\$ 0</u>	<u>\$ 2,212,157</u>

CITY OF ROCKY TOP, TENNESSEE

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

Year Ended June 30, 2025

<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/ Tennessee Department of Finance and Administration/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 37,500
U.S. Department of Treasury/ Tennessee Department of Environment and Conservation/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>1,218,471</u>
Total Coronavirus State and Local Fiscal Recovery Funds			1,255,971
U.S. Department of Housing and Urban Development/Tennessee Department of Economic and Community Development/ Community Development Block Grant	14.228	N/A	578,681
U.S. Environmental Protection Agency/Tennessee Department of Environment and Conservation/ Clean Water State Revolving Fund Loan	66.458	2023-482	2,430,414

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, 2025

<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	447,888
Highway Safety Cluster: National Highway Traffic Safety Administration/Tennessee Department of Safety and Homeland Security/ High Visibility Law Enforcement	20.600	Z-25-THS-256	<u>6,578</u>
Total Federal Awards			4,719,531
<u>State Financial Assistance</u>			
Tennessee Department of Finance and Administration/Violent Crime Intervention Fund	N/A	N/A	1,598
Tennessee Department of Commerce and Insurance/Volunteer Firefighter Equipment and Training Grant Program	N/A	N/A	<u>70,000</u>
Total State Financial Assistance			<u>71,598</u>
Total Federal Awards and State Financial Assistance			<u>\$ 4,791,129</u>

CITY OF ROCKY TOP, TENNESSEE

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

(continued)

Year Ended June 30, 2025

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, 2025. 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.

INDIRECT COST RATE

City of Rocky Top, Tennessee has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OUTSTANDING LOAN BALANCE

City of Rocky Top, Tennessee had balances on federal loans outstanding at June 30, 2025 which had continuing compliance requirements other than to repay the loan consisted of the following:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Loan Forgiveness</u>	<u>Balance at June 30, 2025</u>
66.458	SRF Drinking Water Loan	\$ 50,013	\$ 2,820,729	\$ (838,904)	\$ 2,031,838

OTHER INFORMATION

CITY OF ROCKY TOP, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2025

WATER

Inside City limits:

First 1,000 gallons (minimum billing)	\$ 20.42
Over 1,000 gallons (per thousand)	11.68

Outside City limits:

First 1,000 gallons (minimum billing)	20.42
Over 1,000 gallons (per thousand)	11.68

Tap fee ranges from \$900.00 to \$1,750.00
(depending on size of tap)

SEWER

Inside City limits:

First 1,000 gallons (minimum billing)	\$ 23.75
Over 1,000 gallons (per thousand)	14.85

Outside City limits:

First 1,000 gallons (minimum billing)	27.45
Over 1,000 gallons (per thousand)	19.06

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, 2025

SOLID WASTE

Residential	\$ 17.00
Commercial	42.00

METERED CUSTOMERS

Water	793
Sewer	753
Solid Waste	642

Outside City Limits Sewer (ACWA)

Industrial	2
Commercial	10
Residential	215

CITY OF ROCKY TOP, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2025

Kerry Templin, Mayor
Jeff Gilliam, Vice-Mayor
Keith Daniels, Councilperson
Richard Duff, Councilperson
Joe Tackett, Councilperson
Michael Ellis, City Manager
Amanda Daugherty, City Recorder/CMFO

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2025, 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 22, 2025.

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 22, 2025

CITY OF ROCKY TOP, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2025

No findings were reported in the prior year

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and Board of Directors
City of Rocky Top, Tennessee
Rocky Top, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Rocky Top, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of City of Rocky Top, Tennessee's major federal programs for the year ended June 30, 2025. City of Rocky Top, Tennessee's major federal program are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Rocky Top, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Rocky Top, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Rocky Top, Tennessee's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Rocky Top, Tennessee's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Rocky Top, Tennessee's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Rocky Top, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Rocky Top, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Rocky Top, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mitchell Emert + Hill

December 22, 2025

CITY OF ROCKY TOP, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified opinion on the financial statements of City of Rocky Top, Tennessee.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed.
5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance As Required by the Uniform Guidance expresses an unmodified opinion on City of Rocky Top, Tennessee's compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.
6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a)).

7. The following programs were tested as major programs:

<u>Program Name</u>	<u>Assistance Listing No.</u>
Clean Water State Revolving Fund Loan	66.458

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Rocky Top, Tennessee was not determined to not be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.