

TOWN OF BIG SANDY, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**TOWN OF BIG SANDY, TENNESSEE
TABLE OF CONTENTS**

Introductory Section

Directory 1

Financial Section

Independent Auditor’s Report 2
 Management’s Discussion and Analysis..... 5
 Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Position 10
 Statement of Activities 12
 Fund Financial Statements:
 Balance Sheet - Governmental Funds 13
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Position..... 14
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Governmental Funds 15
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities 16
 Statement of Net Position - Proprietary Funds 17
 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds 19
 Statement of Cash Flows - Proprietary Funds 20
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - General Fund 21
 Notes to the Financial Statements 24
 Required Supplementary Information (RSI):
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
 Participation in the Public Employee Pension Plan of TCRS..... 42
 Schedule of Contributions Based on Participation in the Public Employee Pension
 Plan of TCRS and Notes to RSI..... 43
 Schedule of Changes in Total OPEB Liability and Related Ratios 44
 Notes to Required Supplementary Information – Other Post-Employment Benefits Plan..... 45

Supplementary and Other Information Section

Combining Balance Sheet - Other Governmental Funds..... 46
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other
 Governmental Funds 47
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - Solid Waste..... 48
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - Drug Fund..... 49
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - State Street Aid Fund 50
 Detailed Schedule of Revenues, Expenses, and
 Changes in Net Position - Water and Sewer Fund 51
 Schedule of Changes in Property Taxes Receivable..... 52
 Schedule of Water and Sewer Rates in Force 53
 Schedule of Unaccounted for Water - Unaudited 54
 Schedule of Long-term Debt 56
 Schedule of Changes in Long-Term Debt By Individual Issue..... 57
 Schedule of Expenditures of Federal Awards..... 58
 Notes to Schedule of Expenditures of Federal Awards 59

Internal Control and Compliance Section

Independent Auditor’s 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* 60

Schedule of Findings and Responses 62

Schedule of Prior Year Findings 65

Management’s Corrective Action Plan..... 66

INTRODUCTORY SECTION

TOWN OF BIG SANDY, TENNESSEE
DIRECTORY
June 30, 2020

ELECTED OFFICIALS

Autumn Ratliff, Mayor
John Clement, Alderman
Jayson Dobson, Alderman
Becky Wright, Alderman
Terry Culpepper, Alderman

APPOINTED OFFICIALS

Maria Austin, Town Recorder

COUNSEL

Peeler & Hollis
Camden, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

Mayor and Board of Alderman
Town of Big Sandy, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Big Sandy, Tennessee, (the Town) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, each major fund, and the aggregate remaining fund information of the Town of Big Sandy, Tennessee, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, schedule of contributions based on participation in the public employee pension plan of TCRS and notes to RSI, schedule of changes in total OPEB liability and related ratios, and the notes to required supplementary information - Other-Post Employment Benefits Plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Big Sandy's basic financial statements. The introductory section and the supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section, except that which is marked unaudited, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information section, except that which is marked unaudited, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the supplementary and other information marked unaudited have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2021, on our consideration of the Town of Big Sandy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Town of Big Sandy's internal control over financial reporting and compliance.

Handwritten signature of Alexander Thompson Arnold, PLLC in cursive script.

Jackson, Tennessee
May 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Big Sandy, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Comparative analyses of key elements of total governmental activities and total enterprise funds have been provided.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Big Sandy exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4.72 million (*net position*). Of this amount, \$1.08 million (*unrestricted net position*) may be used to meet the Town of Big Sandy's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Big Sandy's general fund reported an ending fund balance of \$328 thousand, a decrease of \$106 thousand in comparison with the prior year. Of the total fund balance, \$325 thousand is available for spending at the Town of Big Sandy's discretion (*unassigned fund balance*).
- The Town of Big Sandy's total debt obligations decreased by \$11 thousand during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Big Sandy's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources with the difference 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 Town is improving or deteriorating.
- The Statement of Activities presents information showing how the Town'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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, and public works. The business-type activities of the Town of Big Sandy include the water and sewer operations. The government-wide financial statements can be found on pages 10 to 12 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 Town, 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 Town 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, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 13 to 16 of this report.

The Town maintains four governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation for these statements and is also presented separately in a Combining Balance Sheet - Other Governmental Funds and a Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Other Governmental Funds.

The Town adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements and schedules have been provided on pages 21 to 23 and pages 48 to 50 of this report.

Proprietary funds - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the water and sewer operations.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town currently has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations which is considered to be a major fund of the Town of Big Sandy. The basic proprietary fund financial statements can be found on pages 17 to 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 to 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's ability to meet its projected budget and the Town's schedule of funding progress for its respective pension plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.72 million at the close of the most recent fiscal year. The largest portion of the Town's net position (72.17%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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 these liabilities.

A portion of the remaining balance of net position representing unrestricted net position (22.95%) may be used to meet the Town of Big Sandy's ongoing obligations to citizens and creditors. The remaining balance (4.88%) is restricted and can only be used for specified purposes. At the end of the current fiscal year, the Town of Big Sandy is able to report positive balances in all three categories of net position, both for the Town of Big Sandy as a whole, as well as its total governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$494,198	\$591,272	\$ 984,434	\$ 846,685	\$ 1,478,632	\$ 1,437,957
Capital assets	499,154	233,321	3,349,707	3,471,964	3,848,861	3,705,285
Total assets	<u>993,352</u>	<u>824,593</u>	<u>4,334,141</u>	<u>4,318,649</u>	<u>5,327,493</u>	<u>5,143,242</u>
Deferred outflows of resources	<u>57,367</u>	<u>48,243</u>	<u>19,122</u>	<u>9,860</u>	<u>76,489</u>	<u>58,103</u>
Long-term liabilities	70,439	88,802	468,960	474,759	539,399	563,561
Other liabilities	<u>1,866</u>	<u>15,355</u>	<u>41,624</u>	<u>39,941</u>	<u>43,490</u>	<u>55,296</u>
Total liabilities	<u>72,305</u>	<u>104,157</u>	<u>510,584</u>	<u>514,700</u>	<u>582,889</u>	<u>618,857</u>
Deferred inflows of resources	<u>90,917</u>	<u>89,282</u>	<u>14,834</u>	<u>9,094</u>	<u>105,751</u>	<u>98,376</u>
Net position:						
Net investment in capital assets	499,154	233,321	2,904,007	3,015,022	3,403,161	3,248,343
Restricted for:						
Debt service	-	-	122,354	120,604	122,354	120,604
Solid waste fund	74,611	65,188	-	-	74,611	65,188
Drug fund enforcement	5,025	3,910	-	-	5,025	3,910
State street aid fund	28,025	16,169	-	-	28,025	16,169
Unrestricted	<u>280,682</u>	<u>360,809</u>	<u>801,484</u>	<u>669,089</u>	<u>1,082,166</u>	<u>1,029,898</u>
Total net position	<u>\$887,497</u>	<u>\$679,397</u>	<u>\$ 3,827,845</u>	<u>\$ 3,804,715</u>	<u>\$ 4,715,342</u>	<u>\$ 4,484,112</u>

During the current fiscal year, the Town's net position increased by \$231 thousand. The current year CDBG capital contributions were the only significant reason for the change in the current year.

Statement of Activities - Expenses in governmental activities exceeded program revenues by \$76 thousand. In the business-type activities revenues exceeded expenses by \$18 thousand. General government revenues of \$284 thousand left a net increase of \$208 thousand for the governmental activities. Other business type revenues of \$5 thousand added to the previously mentioned profit in the business-type activities to \$18 thousand resulting in an increase in net position of \$23 thousand.

	Governmental		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 62,714	\$ 64,780	\$ 302,697	\$ 304,830	\$ 365,411	\$ 369,610
Operating grants and contributions	22,805	34,274	-	-	22,805	34,274
Capital grants and contributions	293,346	-	-	-	293,346	-
General revenues:						
Property taxes	45,085	44,701	-	-	45,085	44,701
Other taxes	238,026	207,330	-	-	238,026	207,330
Other sources	881	20,043	5,415	9,508	6,296	29,551
Total revenues	<u>662,857</u>	<u>371,128</u>	<u>308,112</u>	<u>314,338</u>	<u>970,969</u>	<u>685,466</u>
Expenses:						
General government	324,413	283,945	-	-	324,413	283,945
Public safety	68,941	56,628	-	-	68,941	56,628
Public works	61,403	62,574	-	-	61,403	62,574
Water and sewer	-	-	284,982	326,279	284,982	326,279
Total Expenses	<u>454,757</u>	<u>403,147</u>	<u>284,982</u>	<u>326,279</u>	<u>739,739</u>	<u>729,426</u>
Increase (decrease) in net position	208,100	(32,019)	23,130	(11,941)	231,230	(43,960)
Net position - beginning	679,397	711,416	3,804,715	3,816,656	4,484,112	4,528,072
Net position - ending	<u>\$ 887,497</u>	<u>\$ 679,397</u>	<u>\$ 3,827,845</u>	<u>\$ 3,804,715</u>	<u>\$ 4,715,342</u>	<u>\$ 4,484,112</u>

The increase in revenues in the governmental activities was primarily due to the CDBG grant contributions of \$293 thousand in the current year.

FUND FINANCIAL STATEMENTS ANALYSIS

Governmental funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government'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 accounts for 88.24% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$328 thousand at the end of the current fiscal year. The balance of \$325 thousand is available to meet the day-to-day needs of the Town.

- Revenues in the general fund increased over last year by \$296 thousand. This was primarily due to an increase in intergovernmental revenue of \$287 thousand in the current year. This increase was related to the CDBG grant activity in the current year.

A budget comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds - The Town of Big Sandy's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund at the end of the year amounted to \$801 thousand. The total change in net position for these funds was \$23 thousand without any significant changes from the prior year.

Budgetary highlights - The Town made no revisions to the original appropriations.

Final budgeted revenues were exceeded by the actual revenue by \$308 thousand. Actual expenditures were over budget by \$430 thousand. The Town made no amendments to the budget in the current year. Some of the significant variances were related to grant expenses in general government exceeded the budget by \$343 thousand and the police department was over budget by \$12 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - At the end of fiscal year 2020, the Town had invested \$3.85 million net of accumulated depreciation in a variety of capital assets. As allowed by GASB Statement No. 34, the Town did not report original infrastructure (streets, sidewalks, bridges, etc.) due to the Town being a Phase 3 government. The Town is only required to report infrastructure going forward as of July 1, 2003. Additional information on the Town's capital assets can be found in Note 4C beginning on page 30 of this report.

Long-term debt - At the end of the current fiscal year, the Town of Big Sandy had total debt outstanding of \$446 thousand. The total amount was backed by the full faith and credit of the Town of Big Sandy. Additional information on the Town of Big Sandy's long-term debt can be found in Note 4D beginning on page 31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate for Benton County is currently 9.6%. The state's average unemployment rate is currently 9.6%. The national average unemployment rate is currently 11.1%. All of the rates are from labor statistics released in June 2020. The Town of Big Sandy currently has no plans to issue new debt and no new grants for next year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Big Sandy's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the Town of Big Sandy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, Town of Big Sandy, P.O. Box 176, Big Sandy, TN 38221.

BASIC FINANCIAL STATEMENTS

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash on hand	\$ -	\$ 342	\$ 342
Cash and cash equivalents	224,293	608,081	832,374
Investments	124,925	240,631	365,556
Receivables			
Taxes	59,253	-	59,253
Accounts	9,741	30,368	40,109
Accounts - court fines (net of allowances)	67	-	67
Intergovernmental - nongrant	51,133	-	51,133
Internal balances	22,022	(22,022)	-
Prepaid insurance	2,764	2,109	4,873
Restricted assets:			
Certificates of deposit	-	124,925	124,925
Capital assets not being depreciated:			
Land	13,800	15,461	29,261
Capital assets (net of accumulated depreciation):			
Land improvements	13,330	-	13,330
Buildings	172,479	79,578	252,057
Water and sewer plant	-	1,159,058	1,159,058
Distribution system	-	2,095,610	2,095,610
Equipment	299,545	-	299,545
Total assets	993,352	4,334,141	5,327,493
Deferred Outflows of Resources			
Related to OPEB	1,012	337	1,349
Related to Pensions	56,355	18,785	75,140
	57,367	19,122	76,489

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2020

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Liabilities			
Claims against future deposits	1,866	-	1,866
Accrued interest	-	2,571	2,571
Customer deposits	-	39,053	39,053
Noncurrent liabilities:			
Due within one year	-	11,783	11,783
Due in more than one year	6,447	435,846	442,293
OPEB liability	15,809	5,270	21,079
Net pension liability	48,183	16,061	64,244
Total liabilities	<u>72,305</u>	<u>510,584</u>	<u>582,889</u>
Deferred inflows of resources			
Property taxes - unavailable	46,414	-	46,414
Related to OPEB	17,388	5,796	23,184
Related to pensions	27,115	9,038	36,153
Total deferred inflows of resources	<u>90,917</u>	<u>14,834</u>	<u>105,751</u>
Net Position			
Net investment in capital assets	499,154	2,904,007	3,403,161
Restricted for:			
Debt service	-	122,354	122,354
Solid waste fund	74,611	-	74,611
Drug fund enforcement	5,025	-	5,025
State street aid fund	28,025	-	28,025
Unrestricted	280,682	801,484	1,082,166
Total net position	<u>\$ 887,497</u>	<u>\$ 3,827,845</u>	<u>\$ 4,715,342</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 324,413	\$ 1,492	\$ 1,869	\$ 293,346	\$ (27,706)	\$ -	\$ (27,706)
Public safety	68,941	4,184	-	-	(64,757)	-	(64,757)
Public works	61,403	57,038	20,936	-	16,571	-	16,571
Total governmental activities	<u>\$ 454,757</u>	<u>\$ 62,714</u>	<u>\$ 22,805</u>	<u>\$ 293,346</u>	<u>\$ (75,892)</u>	<u>\$ -</u>	<u>\$ (75,892)</u>
Business-type activities:							
Water & sewer	<u>\$ 284,982</u>	<u>\$ 302,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>17,715</u>	<u>17,715</u>
General revenues:							
Property taxes - levied for general government					45,085	-	45,085
In lieu of tax - other governments					14,803	-	14,803
Sales taxes					150,982	-	150,982
Alcoholic beverage taxes					56,114	-	56,114
Income taxes					16,127	-	16,127
Other sources					800	-	800
Unrestricted interest income					81	5,415	5,496
Total general revenues					<u>283,992</u>	<u>5,415</u>	<u>289,407</u>
Changes in net position					<u>208,100</u>	<u>23,130</u>	<u>231,230</u>
Net position - beginning					679,397	3,804,715	4,484,112
Net position - ending					<u>\$ 887,497</u>	<u>\$ 3,827,845</u>	<u>\$ 4,715,342</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 150,131	\$ 74,162	\$ 224,293
Investments	124,925	-	124,925
Receivables:			
Taxes	59,253	-	59,253
Accounts	4,882	4,859	9,741
Accounts - court fines (net of allowance for uncollectibles of \$3,564)	67	-	67
Intergovernmental - nongrant	47,850	3,283	51,133
Due from other funds	22,022	26,608	48,630
Prepaid insurance	2,149	615	2,764
Total assets	<u>\$ 411,279</u>	<u>\$ 109,527</u>	<u>\$ 520,806</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Due to other funds	26,608	-	26,608
Claims against future deposits	-	1,866	1,866
Total liabilities	<u>26,608</u>	<u>1,866</u>	<u>28,474</u>
Deferred inflows of resources			
Unavailable property taxes	57,169	-	57,169
Total deferred inflows of resources	<u>57,169</u>	<u>-</u>	<u>57,169</u>
Fund balances			
Nonspendable	2,149	615	2,764
Restricted for solid waste fund	-	73,996	73,996
Restricted for drug fund	-	5,025	5,025
Restricted for state street aid fund	-	28,025	28,025
Unassigned	325,353	-	325,353
Total fund balances	<u>327,502</u>	<u>107,661</u>	<u>435,163</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 411,279</u>	<u>\$ 109,527</u>	<u>\$ 520,806</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
 June 30, 2020

Amounts reported for the governmental activities in the statement of net position (Page 11) are different because:

Fund balance - total governmental funds (Page 13)	\$	435,163
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		499,154
Long-term liabilities, such as accrued vacation, OPEB liability, and net pension liability are not expected to be paid in the current period and, therefore, are not reported in the funds		(70,439)
Deferred outflows of resources related to pensions and OPEB in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds		57,367
Deferred inflows of resources related to pensions and OPEB in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds		(44,503)
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds		<u>10,755</u>
Net position of governmental activities (Page 11)	\$	<u>887,497</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 199,600	\$ -	\$ 199,600
Intergovernmental	372,848	19,830	392,678
Charges for services	600	57,038	57,638
Fines	3,934	1,142	5,076
Other	9,142	81	9,223
Total revenues	<u>586,124</u>	<u>78,091</u>	<u>664,215</u>
Expenditures			
Current			
General government	617,700	-	617,700
Public safety	68,913	28	68,941
Public works	<u>5,119</u>	<u>56,284</u>	<u>61,403</u>
Total expenditures	<u>691,732</u>	<u>56,312</u>	<u>748,044</u>
Net changes in fund balance	(105,608)	21,779	(83,829)
Fund balance - beginning	<u>433,110</u>	<u>85,882</u>	<u>518,992</u>
Fund balance - ending	<u>\$ 327,502</u>	<u>\$ 107,661</u>	<u>\$ 435,163</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BIG SANDY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

June 30, 2020

Amounts reported for the governmental activities in the statement of activities (Page 12) are different because:

Net change in fund balance - total governmental funds (Page 15)	(83,829)
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 in the current period. This is the amount by which depreciation exceeded capital outlays in the current period.	265,833
Some expenses in the statement of activities, such as accrued leave do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	308
The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.	17,708
The actuarially determined pension expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expenses in the statement of activities.	(6,186)
The actuarially determined OPEB expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expenses in the statement of activities.	15,625
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(1,359)</u>
Change in net position of governmental activities (Page 12)	<u>\$ 208,100</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

Assets

Current assets:

Cash on hand	\$	342
Cash and cash equivalents		608,081
Investments		240,631
Receivables		
Accounts		30,368
Prepaid insurance		2,109
Total current assets		881,531

Restricted assets

Investments		124,925
Total restricted assets		124,925

Capital assets not being depreciated

Land		15,461
------	--	--------

Capital assets (net of accumulated depreciation)

Buildings		79,578
Water and sewer plant		1,159,058
Distribution system		2,095,610
Total capital assets		3,349,707
Total assets		4,356,163

Deferred outflows of resources

Related to pensions		18,785
Related to OPEB		337
Total deferred outflows of resources	\$	19,122

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

Liabilities

Current liabilities

Accrued interest payable	\$ 2,571
Due to other funds	22,022
Current maturities of long-term debt	<u>11,783</u>
Total current liabilities	<u>36,376</u>

Noncurrent liabilities

Customer deposits	39,053
Accrued leave	1,929
Bonds payable (less current maturities)	433,917
OPEB liability	5,270
Net pension liability	<u>16,061</u>
Total noncurrent liabilities	<u>496,230</u>
Total liabilities	<u>\$ 532,606</u>

Deferred Inflows of Resources

Related to pensions	9,038
Related to OPEB	<u>5,796</u>
Total deferred inflows of resources	<u>\$ 14,834</u>

Net position

Net investment in capital assets	2,904,007
Restricted for debt service	122,354
Unrestricted	<u>801,484</u>
Total net position	<u>\$ 3,827,845</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2020

Operating revenues	
Charges for sales and service	\$ 297,145
Other operating revenue	<u>5,552</u>
Total operating revenues	<u>302,697</u>
Operating expenses	
Operating and maintenance	143,391
Provision for depreciation	<u>122,257</u>
Total operating expenses	<u>265,648</u>
Operating income (loss)	<u>37,049</u>
Nonoperating revenues (expenses)	
Interest and other income	5,415
Interest and other expense	<u>(19,334)</u>
Total nonoperating revenues (expenses)	<u>(13,919)</u>
Change in net position	23,130
Total net position - beginning	3,804,715
Total net position - ending	<u>\$ 3,827,845</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2020

Cash flows from operating activities	
Cash received from consumers	\$ 303,270
Cash paid to suppliers of goods and services	(42,237)
Cash paid to employees for services	(98,324)
Customer deposits received	<u>1,684</u>
Net cash provided (used) by operating activities	<u>164,393</u>
Cash flows from capital and related financing activities	
Principal paid on debt	(11,242)
Interest paid on bonds, notes, and leases	<u>(19,335)</u>
Net cash provided (used) by capital and related financing activities	<u>(30,577)</u>
Cash flows from investing activities	
Purchase of investment	(240,631)
Proceeds from sale and maturities of investments	232,379
Interest and unrealized change in investments	<u>5,415</u>
Net cash provided (used) by investing activities	<u>(2,837)</u>
Net increase (decrease) in cash and cash equivalents	130,979
Cash and cash equivalents - beginning of year	<u>477,444</u>
Cash and cash equivalents - end of year	<u><u>\$ 608,423</u></u>
Cash and cash equivalents	
Unrestricted cash on hand	\$ 342
Unrestricted cash and cash equivalents on deposit	<u>608,081</u>
Total cash and cash equivalents	<u><u>\$ 608,423</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 37,049
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	122,257
Changes in assets and liabilities:	
Accounts receivable	573
Accounts payable and accrued expenses	898
Interfund accounts	909
OPEB liability	(2,843)
Net pension liability	7,388
Other pension related accounts	(7,301)
Other OPEB related accounts	3,779
Customer deposits	<u>1,684</u>
Net cash provided (used) by operating activities	<u><u>\$ 164,393</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2020

Revenues	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Taxes				
Property tax current	\$ 44,000	\$ 44,000	\$ 45,651	\$ 1,651
Tax penalties	300	300	792	492
Local sales tax	85,000	85,000	99,778	14,778
Local beer tax	51,000	51,000	52,529	1,529
Beer privilege tax	600	600	850	250
Cable TV franchise fee	3,000	3,000	-	(3,000)
	<u>183,900</u>	<u>183,900</u>	<u>199,600</u>	<u>15,700</u>
Intergovernmental				
State - TVA in lieu of tax	7,000	7,000	7,530	530
State - sales tax	47,000	47,000	50,746	3,746
State - income tax	2,500	2,500	118	(2,382)
State - beer tax	300	300	261	(39)
State - mixed drink tax	2,500	2,500	2,474	(26)
State - petroleum special	1,100	1,100	1,106	6
State - telecom tax	50	50	458	408
State - police supplement	600	600	800	200
State - seniors supplement	8,465	8,465	-	(8,465)
State - excise tax	6,000	6,000	16,009	10,009
Grant revenue	7,822	7,822	293,346	285,524
	<u>83,337</u>	<u>83,337</u>	<u>372,848</u>	<u>289,511</u>
Charges for services				
Fire calls	500	500	250	(250)
Field fees	500	500	350	(150)
Other	300	300	-	(300)
	<u>1,300</u>	<u>1,300</u>	<u>600</u>	<u>(700)</u>
Fines				
Fines - city court	4,000	4,000	3,934	(66)
	<u>4,000</u>	<u>4,000</u>	<u>3,934</u>	<u>(66)</u>
Other				
Interest	1,200	1,200	2,629	1,429
5k revenues	-	-	1,869	1,869
Insurance proceeds	-	-	4,644	-
Miscellaneous	200	200	-	(200)
	<u>1,400</u>	<u>1,400</u>	<u>9,142</u>	<u>3,098</u>
Total revenues	\$ 273,937	\$ 273,937	\$ 586,124	\$ 307,543

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2020

Expenditures	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Current				
General government				
Salary	\$ 76,000	\$ 76,000	\$ 52,512	\$ (23,488)
Payroll taxes	23,500	23,500	23,936	436
Health insurance	17,000	17,000	22,209	5,209
Retirement	10,000	10,000	15,983	5,983
Utilities	24,000	24,000	44,575	20,575
Publicity, subscriptions, and dues	600	600	1,946	1,346
Telephone	3,000	3,000	2,961	(39)
Professional fees	15,000	15,000	47,490	32,490
Supplies	4,000	4,000	5,692	1,692
Repairs and maintenance	4,000	4,000	10,502	6,502
Insurance	3,576	3,576	32,170	28,594
Gas, oil, diesel fuel, and grease	4,000	4,000	-	(4,000)
Grant expenses	-	-	343,242	343,242
Travel and schools	5,000	5,000	2,215	(2,785)
Miscellaneous	4,250	4,250	12,267	8,017
Rental	1,200	1,200	-	(1,200)
Total general government	<u>195,126</u>	<u>195,126</u>	<u>617,700</u>	<u>422,574</u>
Public safety				
Police				
Salary	47,000	47,000	51,193	4,193
City judge	720	720	600	(120)
Miscellaneous	800	800	678	(122)
Equipment and supplies	2,000	2,000	2,542	542
Vehicle repair and maintenance	500	500	8,447	7,947
	<u>51,020</u>	<u>51,020</u>	<u>63,460</u>	<u>12,440</u>
Fire				
Contribution to Fire Department	<u>5,000</u>	<u>5,000</u>	<u>5,453</u>	<u>453</u>
Total public safety	<u>\$ 56,020</u>	<u>\$ 56,020</u>	<u>\$ 68,913</u>	<u>\$ 12,893</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Public works				
Fire Hydrant Rental	\$ 5,000	\$ 5,000	\$ 315	\$ (4,685)
Street repair	<u>6,000</u>	<u>6,000</u>	<u>4,804</u>	<u>(1,196)</u>
Total public works	<u>11,000</u>	<u>11,000</u>	<u>5,119</u>	<u>(5,881)</u>
Total expenditures	<u>262,146</u>	<u>262,146</u>	<u>691,732</u>	<u>429,586</u>
Net changes in fund balance	<u>\$ 11,791</u>	<u>\$ 11,791</u>	<u>(105,608)</u>	<u>\$ (122,043)</u>
Fund balance - beginning			<u>433,110</u>	
Fund balance - ending			<u>\$ 327,502</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Big Sandy, Tennessee (the Town) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the Town. There are no component units, entities for which the Town is considered financially accountable, which should be included.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 revenues are reported instead as general revenues.

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. Nonmajor combining statements and individual statements are presented in the supplementary and other information section.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The account and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. A deferred amount is recognized for the portion of those revenues that are not available within sixty days of the close of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The general fund is the government'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 Town reports the following major proprietary funds:

The water and sewer fund accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations, and collection system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices at fiscal year end. All investments consisted of certificates of deposit.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds".

The allowances for uncollectible court fines are based on past history of uncollectible accounts and management's analysis of current accounts. The Town currently records no other allowance for uncollectibles, due to their historical collection rates.

Property taxes are levied and mailed annually on October 1. The taxes are due and payable from the following October 1 through February 28 in the year succeeding the tax levy. An unperfected lien attaches by statute to property on January 1 for unpaid taxes from the prior year's levy. Taxes uncollected by March 1 of the second year they are considered delinquent and are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Restricted Assets

The Town maintains a certificate of deposit in the Water & Sewer Fund to be used for capital improvements at the discretion of the Board of Alderman and Mayor. The Town elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of five years. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight line method over the following useful lives:

Buildings	40 years
Improvements	15 years
Equipment	5 - 7 years
Water and sewer plant	40 years
Distribution system	3 - 40 years

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 Town of Big Sandy's participation in the Public Employee Retirement Plan of The Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Town'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.

Other Post-Employment Benefits

The Town offers health insurance benefits through LGOP post-employment plan (the plan). This plan is considered to be a multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB).

Compensated Absences

Employees accrue vacation leave based on the following table. The entire obligation is recorded as a long-term liability due to the fact that no current employees are retiring in the current period. Employees with 1-10 years accrue 96 hours, 10-15 years accrue 120 hours, and 15+ years accrue 144 hours.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Fund equity

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Alderman of the Town of Big Sandy. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Assigned fund balance

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board and its designee, the Town Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has pension and OPEB related items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable property taxes as deferred inflows of resources in the governmental fund balance sheet. In the statement of net position, unavailable property taxes, pension and OPEB related items are reported.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$1,359 difference are as follows:

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Change in unavailable property taxes	\$ 1,359
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,359</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted using the GAAP basis of accounting for all governmental funds, which include the general fund and the special revenue funds. GAAP basis is also used for the remaining statements included in the Town's basic financial statements.

The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. The Town's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Town Council or Board of Alderman. This policy reflects the legal level of control at which expenditures may not exceed appropriations. As an extension of the budgetary process, the Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted budget amendments. The Town had no budget amendments during the year.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2020, all of the Town's deposits were fully collateralized.

B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

	General	Water and Sewer	Nonmajor Funds	Total
Receivables				
Property taxes	\$ 59,253	\$ -	\$ -	\$ 59,253
Accounts	4,882	30,368	4,859	40,109
Accounts - court fines	3,631	-	-	3,631
Intergovernmental- nongrant	47,850	-	3,283	51,133
Gross receivables	115,616	30,368	8,142	154,126
Less: Allowance for uncollectibles	(3,564)	-	-	(3,564)
Net total receivables	<u>\$ 112,052</u>	<u>\$ 30,368</u>	<u>\$ 8,142</u>	<u>\$ 150,562</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable	Unearned/ Unavailable	Total
Delinquent property taxes receivable	\$ 10,755	\$ -	\$ 10,755
2020 property tax assessment	-	46,414	46,414
Total deferred inflows for governmental funds	<u>\$ 10,755</u>	<u>\$ 46,414</u>	<u>\$ 57,169</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balances
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 13,800	\$ -	\$ -	\$ -	\$ 13,800
Construction in progress	14,382	-	-	(14,382)	-
Total capital assets, not being depreciated	<u>28,182</u>	<u>-</u>	<u>-</u>	<u>(14,382)</u>	<u>13,800</u>
Capital assets, being depreciated					
Land improvements	104,805	-	-	14,382	119,187
Buildings	424,055	-	-	-	424,055
Equipment	239,925	290,412	-	-	530,337
Total capital assets, being depreciated	<u>768,785</u>	<u>290,412</u>	<u>-</u>	<u>14,382</u>	<u>1,073,579</u>
Less accumulated depreciation for:					
Land improvements	104,353	1,504	-	-	105,857
Buildings	241,045	10,531	-	-	251,576
Equipment	218,248	12,544	-	-	230,792
Total accumulated depreciation	<u>563,646</u>	<u>24,579</u>	<u>-</u>	<u>-</u>	<u>588,225</u>
Total capital assets, being depreciated, net	<u>205,139</u>	<u>265,833</u>	<u>-</u>	<u>14,382</u>	<u>485,354</u>
Governmental activities capital assets, net	<u>\$ 233,321</u>	<u>\$ 265,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,154</u>

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Business-type activities:	Beginning Balance	Increases	Decreases	Reclassification	Ending Balances
Capital assets, not being depreciated					
Land	\$ 15,461	\$ -	\$ -	\$ -	\$ 15,461
Total capital assets, not being depreciated	<u>15,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,461</u>
Capital assets, being depreciated					
Buildings	274,870	-	-	-	274,870
Water and sewer plant	1,749,748	-	-	-	1,749,748
Distribution system	3,406,582	-	-	-	3,406,582
Equipment	10,149	-	-	6,714	16,863
Total capital assets, being depreciated	<u>5,441,349</u>	<u>-</u>	<u>-</u>	<u>6,714</u>	<u>5,448,063</u>
Less accumulated depreciation for:					
Buildings	188,421	6,871	-	-	195,292
Water and sewer plant	549,644	41,046	-	-	590,690
Distribution	1,236,632	74,340	-	-	1,310,972
Equipment	10,149	-	-	6,714	16,863
Total accumulated depreciation	<u>1,984,846</u>	<u>122,257</u>	<u>-</u>	<u>6,714</u>	<u>2,113,817</u>
Total capital assets, being depreciated, net	<u>3,456,503</u>	<u>(122,257)</u>	<u>-</u>	<u>-</u>	<u>3,334,246</u>
Business-type capital assets, net	<u>3,471,964</u>	<u>(122,257)</u>	<u>-</u>	<u>-</u>	<u>3,349,707</u>
Total capital assets, net	<u>\$3,705,285</u>	<u>\$ 143,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,848,861</u>

Depreciation expense was charged to the different activities as follows:

Governmental activities:	
General government	\$ 18,730
Public Safety	2,760
Health, culture, recreation, and welfare	3,089
Total depreciation expense - governmental	<u>24,579</u>
Business-type activities:	
Water and sewer	<u>122,257</u>
Total depreciation	<u>\$ 146,836</u>

D. Long-term Debt

The Town has a bond issue in the water and sewer fund that originated May 23, 2005, in the amount of \$575,000, with interest at 4.25%. As of June 30, 2020, the bonds had an outstanding balance of \$445,700 with a current portion due of \$11,783.

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of June 30, 2020, are as follows:

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	11,783	18,793	30,576
2022	12,295	18,281	30,576
2023	12,829	17,747	30,576
2024	13,338	17,238	30,576
2025	13,964	16,612	30,576
2026-2030	79,416	73,464	152,880
2031-2035	98,224	54,656	152,880
2036-2040	121,479	31,401	152,880
2041-2043	82,372	5,418	87,790
	<u>\$ 445,700</u>	<u>\$ 253,610</u>	<u>\$ 699,310</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Compensated absences	\$ 6,755	\$ -	\$ 308	\$ 6,447	\$ -
Total governmental	<u>\$ 6,755</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 6,447</u>	<u>\$ -</u>
Business-type activities:					
Bonds	\$ 456,942	\$ -	\$ 11,242	\$ 445,700	\$ 11,783
Compensated absences	1,031	898	-	1,929	-
Total business-type	<u>\$ 457,973</u>	<u>898</u>	<u>\$ 11,242</u>	<u>\$ 447,629</u>	<u>\$ 11,783</u>

E. Inter-fund Transfers and Internal Balances

The composition of interfund receivables and payables as shown in the governmental funds balance sheet and proprietary fund statement of net position as of June 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Receivable Amount</u>
General	Water and Sewer	\$ 22,022
State Street Aid	General	26,608
Subtotal		48,630
Governmental activities eliminated		(26,608)
Total		<u>\$ 22,022</u>

The internal balances presented in the statement of net position represent the net amount of these interfund balances as shown above. The outstanding balance between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, and auto physical damage coverage. The Town joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The Pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The Town pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation, and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The Town's premiums are calculated based on its prior claims history. It is the policy of the Town to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

B. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the Town's management expects such amounts, if any, to be immaterial.

C. Employee Retirement Systems and Pension Plans

Plan Description

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

Benefits Provided

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

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	6
Active employees	6
	16
	16

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Big Sandy makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for Big Sandy were \$23,611 based on a rate of 12.20% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Big Sandy'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

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

Actuarial Assumptions

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

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

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

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

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Big Sandy 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.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/18	\$ 610,874	\$ 559,766	\$ 51,108
Changes for the year:			
Service cost	10,870		10,870
Interest	43,326		43,326
Differences between expected and actual experience	24,431		24,431
Changes in assumptions	-		
Contributions- employer	-	16,596	(16,596)
Contributions- employees	-	8,581	(8,581)
Net investment income	-	40,801	(40,801)
Benefit payments, including refunds of employee contributions	(48,285)	(48,285)	-
Administrative expense	-	(487)	487
Net changes	<u>30,342</u>	<u>17,206</u>	<u>13,136</u>
Balance at 6/30/19	<u>\$ 641,216</u>	<u>\$ 576,972</u>	<u>\$ 64,244</u>

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

The following presents the net pension liability (asset) of Big Sandy calculated using the discount rate of 7.25 percent, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Big Sandy's net pension liability (asset)	<u>\$ 139,405</u>	<u>\$ 64,244</u>	<u>\$ 1,077</u>

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

Pension Expense

For the year ended June 30, 2020, Big Sandy recognized pension expense of \$11,766.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Deferred Outflows of Resources and Deferred Inflows of Resources.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,759	\$ 29,201
Net difference between projected and actual earnings on pension plan investments	-	6,952
Changes in assumptions	6,770	-
Contributions subsequent to the measurement date of June 30, 2019	23,611	-
Total	\$ 75,140	\$ 36,153

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

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 Ended June 30:</u>	
2021	\$ 1,500
2022	2,734
2023	6,336
2024	4,649
2025	157
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2020, Big Sandy reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

D. Other Post-Employment Benefits

Plan Description

Employees of the Town of Big Sandy are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions. However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits provided

The Town of Big Sandy offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to the direct subsidies provided for the retiree premiums. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms - At July 1, 2019, the following employees of the Town were covered by the benefit terms of the plan:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	6
	6
	6

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2020, the Town paid \$1,168 to the LGOP for OPEB benefits as they became due.

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate

The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$	47,725
Changes for the year		
Service cost		5,256
Interest		1,898
Changes of benefit terms		(17,693)
Differences between expected and actual experience		(15,205)
Changes of assumptions		206
Benefit payments		(1,108)
Net change		(26,646)
Balance at June 30, 2019	\$	<u>21,079</u>

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Changes in assumptions

The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate - The following presents the total OPEB liability related to the plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate.

	Current Discount		
	<u>1% Decrease</u>	<u>Rate (3.51%)</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 23,222	\$ 21,079	\$ 19,055

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.03% decreasing to 3.50%) or 1-percentage-point higher (7.03% decreasing to 5.50%) than the current healthcare cost trend rate.

Current Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase
(5.03%/4.20%	(6.03%/5.20% decreasing to	(7.03%/6.20%
decreasing to 3.50%)	4.50%)	decreasing to 5.50%)
\$ 17,943	\$ 21,079	\$ 24,781

OPEB expense

For the fiscal year ended June 30, 2020, the Town recognized OPEB expense of \$13,521.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2020, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the plan:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Changes in assumptions	\$ 181	\$ 7,617
Deference between expected and actual experience	-	15,567
Contributions/benefits paid after the measurement date	1,168	-
Total	<u>\$ 1,349</u>	<u>\$ 23,184</u>

TOWN OF BIG SANDY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

Year Ended June 30:	
2021	\$ (2,982)
2022	(2,982)
2023	(2,982)
2024	(2,982)
2025	(2,982)
Thereafter	<u>(8,093)</u>
Total	<u>\$ (23,003)</u>

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

E. Subsequent Events

The full impact of the COVID-19 outbreak continues to evolve as of the May 18, 2021. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Management has evaluated subsequent events through May 18, 2021 the date in which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BIG SANDY, TENNESSEE
Schedule of Changes in Net Position Liability (Asset) and Related
Ratios Based on Participation in the Public Employee Pension Plan of TCRS
Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 12,662	\$ 12,335	\$ 11,195	\$ 13,418	\$ 12,112	\$ 10,870
Interest	34,498	39,545	39,476	41,395	44,344	43,326
Changes in benefit terms	-	-	-	-	-	-
Difference between actual & expected experience	37,003	(33,804)	(9,292)	21,111	(27,415)	24,431
Change of assumptions	-	-	-	11,846	-	-
Benefit payments, including refunds of employee contributions	(15,326)	(17,761)	(17,934)	(18,108)	(35,397)	(48,285)
Net change in total pension liability	68,837	315	23,445	69,662	(6,356)	30,342
Total pension liability - beginning	454,971	523,808	524,123	547,568	617,230	610,874
Total pension liability - ending (a)	<u>\$ 523,808</u>	<u>\$ 524,123</u>	<u>\$ 547,568</u>	<u>\$ 617,230</u>	<u>\$ 610,874</u>	<u>\$ 641,216</u>
Plan fiduciary net position						
Contributions - employer	\$ 962	\$ 10,069	\$ 10,884	\$ 17,713	\$ 16,567	\$ 16,596
Contributions - employee	7,905	7,415	8,015	9,159	8,566	8,581
Net investment income	62,998	13,534	12,013	53,250	43,317	40,801
Benefit payments, including refunds of employee contributions	(15,326)	(17,761)	(17,934)	(18,108)	(35,397)	(48,285)
Administrative expense	(217)	(295)	(454)	(509)	(541)	(487)
Net change in plan fiduciary net position	56,322	12,962	12,524	61,505	32,512	17,206
Plan fiduciary net position - beginning	383,941	440,263	453,225	465,749	527,254	559,766
Plan fiduciary net position - ending (b)	<u>\$ 440,263</u>	<u>\$ 453,225</u>	<u>\$ 465,749</u>	<u>\$ 527,254</u>	<u>\$ 559,766</u>	<u>\$ 576,972</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 83,545</u>	<u>\$ 70,898</u>	<u>\$ 81,819</u>	<u>\$ 89,976</u>	<u>\$ 51,108</u>	<u>\$ 64,244</u>
Plan fiduciary net position as a percentage of total pension liability	84.05%	86.47%	85.06%	85.42%	91.63%	89.98%
Covered - employee payroll	\$ 158,109	\$ 148,295	\$ 160,300	\$ 183,181	\$ 171,325	\$ 177,186
Net pension liability (asset) as a percentage of covered-employee payroll	52.84%	47.81%	51.04%	49.12%	29.83%	36.26%

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

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

TOWN OF BIG SANDY, TENNESSEE
Schedule of Contributions Based on Participation in the Public Employee
Pension Plan of TCRS and Notes to RSI
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 962	\$ 10,069	\$ 10,884	\$ 17,713	\$ 16,567	\$ 16,596	\$ 23,611
Contributions in relation to the actuarially determined contributions:	<u>962</u>	<u>10,069</u>	<u>10,884</u>	<u>17,713</u>	<u>16,567</u>	<u>16,596</u>	<u>23,611</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 158,109	\$ 148,295	\$ 160,300	\$ 183,181	\$ 171,325	\$ 177,186	\$ 193,532
Contributions as a percentage covered-employee payroll	0.61%	6.79%	6.79%	9.67%	9.67%	9.37%	12.20%

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

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 5,256	\$ 1,170	\$ 1,249
Interest	1,898	400	307
Changes of benefit terms	(17,693)	47,690	-
Differences between expected and actual experience	(15,205)	(2,715)	-
Employee contributions	-	-	-
Changes in assumptions and other inputs	206	(8,823)	(691)
Benefit payments	(1,108)	(129)	-
Net change in total OPEB liability	<u>(26,646)</u>	<u>37,593</u>	<u>865</u>
Total OPEB liability - beginning	<u>47,725</u>	<u>10,132</u>	<u>9,267</u>
Total OPEB liability - ending (a)	<u>\$ 21,079</u>	<u>\$ 47,725</u>	<u>\$ 10,132</u>
Covered payroll	\$ 193,532	\$ 177,186	\$ 171,325
Total OPEB liability as a percentage of covered payroll	10.89%	26.93%	5.91%

Changes in assumptions - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This scheduled is intended to display ten years of information. Additional years will be displayed as they become available.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS
June 30, 2020

Measurement date	June 30, 2019
Actuarial valuation date	June 30, 2019
Cost Method	Entry age normal
Inflation	2.25%
Discount rate	3.51%
Salary Increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.
Healthcare Cost Trend Rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Other Information: Notes	Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

TOWN OF BIG SANDY, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2020

	<u>Solid Waste Fund</u>	<u>Drug Fund</u>	<u>State Street Aid Fund</u>	<u>Total Other Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 69,137	\$ 5,025	\$ -	\$ 74,162
Due from other funds	-	-	26,608	26,608
Receivables:				
Accounts	4,859	-	-	4,859
Intergovernmental	-	-	3,283	3,283
Prepaid insurance	615	-	-	615
Total assets	<u>\$ 74,611</u>	<u>\$ 5,025</u>	<u>\$ 29,891</u>	<u>\$ 109,527</u>
Liabilities and fund balances				
Liabilities				
Claims against future deposits	-	-	1,866	1,866
Total liabilities	-	-	1,866	1,866
Fund balances				
Nonspendable	615	-	-	615
Restricted	73,996	5,025	28,025	107,046
Total fund balances	74,611	5,025	28,025	107,661
Total liabilities and fund balances	<u>\$ 74,611</u>	<u>\$ 5,025</u>	<u>\$ 29,891</u>	<u>\$ 109,527</u>

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2020

Revenues	Solid Waste Fund	Drug Fund	State Street Aid Fund	Total Other Governmental Funds
Intergovernmental	\$ -	\$ -	\$ 19,830	\$ 19,830
Charges for services	57,038	-	-	57,038
Fines and forfeitures	-	1,142	-	1,142
Other	80	1	-	81
Total revenues	57,118	1,143	19,830	78,091
Expenditures				
Current				
Public safety	-	28	-	28
Public works	48,310	-	7,974	56,284
Total expenditures	48,310	28	7,974	56,312
Net changes in fund balance	8,808	1,115	11,856	21,779
Fund balance - beginning	65,803	3,910	16,169	85,882
Fund balance - ending	\$ 74,611	\$ 5,025	\$ 28,025	\$ 107,661

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SOLID WASTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
Revenues				<u>(Under)</u>
Charges for services	\$ 57,000	\$ 57,000	\$ 57,038	\$ 38
Interest	75	75	80	5
 Total revenues	 <u>57,075</u>	 <u>57,075</u>	 <u>57,118</u>	 <u>43</u>
 Expenditures				
Current				
Public works				
Sanitation				
Salary	41,000	41,000	32,325	(8,675)
Payroll taxes	3,137	3,137	-	(3,137)
Health insurance	7,000	7,000	-	(7,000)
Retirement	6,000	6,000	1,706	(4,294)
Supplies	1,500	1,500	765	(735)
Miscellaneous	-	-	3,705	3,705
Insurance	3,100	3,100	408	(2,692)
Repairs and maintenance	4,500	4,500	4,673	173
Gas and oil	4,000	4,000	4,728	728
Total expenditures	<u>70,237</u>	<u>70,237</u>	<u>48,310</u>	<u>(21,927)</u>
 Net changes in fund balances	 <u>\$ (13,162)</u>	 <u>\$ (13,162)</u>	 <u>8,808</u>	 <u>\$ 21,970</u>
 Fund balance - beginning			 <u>65,803</u>	
Fund balance - ending			 <u><u>\$ 74,611</u></u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF BIG SANDY, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Then Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
Revenues				<u>(Under)</u>
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 1,142	\$ (858)
Interest	<u>2</u>	<u>2</u>	<u>1</u>	<u>(1)</u>
 Total revenues	 <u>2,002</u>	 <u>2,002</u>	 <u>1,143</u>	 <u>(859)</u>
 Expenditures				
Current				
Public safety				
Police				
Clerk's fees	100	100	28	(72)
Drug and alcohol schools	100	100	-	(100)
Contributions	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total expenditures	<u>300</u>	<u>300</u>	<u>28</u>	<u>(272)</u>
 Net changes in fund balance	 <u>\$ 1,702</u>	 <u>\$ 1,702</u>	 <u>1,115</u>	 <u>\$ (587)</u>
 Fund balance - beginning			 <u>3,910</u>	
Fund balance - ending			<u>\$ 5,025</u>	

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance-
	Original	Final		Over (Under)
Revenues				
Gas 3 cent	\$ 3,016	\$ 3,016	\$ 2,970	\$ (46)
Gasoline and motor fuel tax	10,280	10,280	10,137	(143)
Gas 1989	1,628	1,628	1,603	(25)
State gas tax 2017	4,969	4,969	5,120	151
Total revenues	19,893	19,893	19,830	(63)
Expenditures				
Current				
Public works:				
City streets:				
Street lights	19,800	19,800	7,974	(11,826)
Total expenditures	19,800	19,800	7,974	(11,826)
Net changes in fund balances	\$ 93	\$ 93	11,856	\$ 11,763
Fund balance - beginning			16,169	
Fund balance - ending			\$ 28,025	

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
WATER AND SEWER FUND
DETAILED SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For The Fiscal Year Ended June 30, 2020

	Actual
Operating revenues	
Water sales	\$ 207,796
Sewer revenue	86,577
Tap fees	2,772
Miscellaneous	570
Penalties	4,982
Total operating revenues	302,697
Operating expenses	
Salaries	67,511
Payroll taxes	104
Health insurance	24,140
Retirement	6,569
Repairs and maintenance	1,160
Supplies	7,348
Chemicals	6,496
Postage	372
State fees	3,183
Utilities	14,312
Telephone	1,471
Travel	1,467
Dues and subscriptions	311
Billing	6,767
Miscellaneous	2,180
Depreciation	122,257
Total operating expenses	265,648
Operating income (loss)	37,049
Nonoperating revenues (expenses)	
Interest earned	5,415
Interest expense	(19,334)
Total nonoperating revenues (expenses)	(13,919)
Change in net position	23,130
Total net position - beginning	3,804,715
Total net position - ending	\$ 3,827,845

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For The Fiscal Year Ended June 30, 2020

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes
2019	\$ 0.85	\$ 44,812	\$ -	\$ 44,812	\$ 41,046	\$ 3,766
2018	0.85	44,699	5,709	-	2,914	2,795
2017	0.85	43,889	4,315	-	1,183	3,132
2016	0.85	44,166	2,126	-	404	1,722
2015	0.87	43,185	1,203	-	199	1,004
2014	0.87	41,580	489	-	87	402
2013	0.87	40,161	70	-	52	18
2012	0.87	40,227	-	-	-	-
2011	0.87	44,191	-	-	-	-
2010	0.87	40,325	-	-	-	-
			<u>\$ 13,912</u>	<u>\$ 44,812</u>	<u>\$ 45,885</u>	<u>\$ 12,839</u>

Above balances represented as follows:

Considered current revenue	2,084
Unavailable	<u>10,755</u>
	12,839
Estimated 2020 tax levy not collectible until 10/1/2020	<u>46,414</u>
	<u>\$ 59,253</u>

All delinquent taxes are filed with chancery court.

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE

June 30, 2020

Rates Inside City Limits

Water

2,000 Gallon Minimum	\$ 20.08
2,000 - 7,500 Gallons	7.74 per 1,000
7,500 - 12,500 Gallons	7.74 per 1,000
Over 12,500 Gallons	7.74 per 1,000

Sewer

2,000 Gallon Minimum	\$ 18.40
2,000 - 7,500 Gallons	7.04 per 1,000
7,500 - 12,500 Gallons	7.04 per 1,000
Over 12,500 Gallons	7.04 per 1,000

Sanitation

\$ 14.00

Rates Outside City Limits

Water

2,000 Gallon Minimum	\$ 30.20
2,000 - 7,500 Gallons	11.48 per 1,000
7,500 - 12,500 Gallons	11.48 per 1,000
Over 12,500 Gallons	11.48 per 1,000

Number of customers

Water	488
Sewer	273
Sanitation	292

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED
 June 30, 2020

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
 American Water Works Association
 Copyright © 2014, All Rights Reserved.

? Click to access definition
+ Click to add a comment

Water Audit Report for: **Big Sandy Waterworks (0000051)**
Reporting Year: **2020** **7/2019 - 6/2020**

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

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

WATER SUPPLIED

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

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

Volume from own sources:	+	?	9	38.864	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

WATER SUPPLIED: **37.842** MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+	?	7	2.70%	MG/Yr
Value:					

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

AUTHORIZED CONSUMPTION

Billed metered:	+	?	9	15.622	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	7	0.064	MG/Yr
Unbilled unmetered:	+	?	9	0.557	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **16.243** MG/Yr

Click here: ? for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr

0.25% MG/Yr

3.00% MG/Yr

0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) **21.599** MG/Yr

Apparent Losses

Unauthorized consumption: **0.095** MG/Yr

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

Customer metering inaccuracies: **0.485** MG/Yr

Systematic data handling errors: **0.039** MG/Yr

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

Apparent Losses: **0.619** MG/Yr

Pcnt: Value: MG/Yr

0.25% MG/Yr

3.00% MG/Yr

0.25% MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **20.980** MG/Yr

WATER LOSSES: **21.599** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **22.220** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: **22.0** miles

Number of active AND inactive service connections: **588**

Service connection density: **27** conn./mile main

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

Average length of customer service line: **0** (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: **59.0** psi

COST DATA

Total annual cost of operating water system:	+	?	9	\$175,859	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	9	\$15.07	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	9	\$848.67	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

*** YOUR SCORE IS: 82 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors

See independent auditor's report.

-54-

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED
 June 30, 2020

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved.
Water Audit Report for: Big Sandy Waterworks (0000051)		
Reporting Year: 2020 7/2019 - 6/2020		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***		
System Attributes:		
	Apparent Losses:	0.619 MG/Yr
	+ Real Losses:	20.980 MG/Yr
	= Water Losses:	21.599 MG/Yr
	? Unavoidable Annual Real Losses (UARL):	See limits in definition MG/Yr
	Annual cost of Apparent Losses:	\$9,325
	Annual cost of Real Losses:	\$17,805
		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	58.7%
	Non-revenue water as percent by cost of operating system:	15.7% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	2.88 gallons/connection/day
	Real Losses per service connection per day:	N/A gallons/connection/day
	Real Losses per length of main per day*:	2,612.76 gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	20.98 million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
June 30, 2020

Year Ended June 30,	2004 USDA Loan		Totals		
	Principal	Interest	Principal	Interest	Requirements
2021	\$ 11,783	\$ 18,793	\$ 11,783	\$ 18,793	\$ 30,576
2022	12,295	18,281	12,295	18,281	30,576
2023	12,829	17,747	12,829	17,747	30,576
2024	13,338	17,238	13,338	17,238	30,576
2025	13,964	16,612	13,964	16,612	30,576
2026	14,571	16,005	14,571	16,005	30,576
2027	15,203	15,373	15,203	15,373	30,576
2028	15,823	14,753	15,823	14,753	30,576
2029	16,550	14,026	16,550	14,026	30,576
2030	17,269	13,307	17,269	13,307	30,576
2031	18,018	12,558	18,018	12,558	30,576
2032	18,768	11,808	18,768	11,808	30,576
2033	19,616	10,960	19,616	10,960	30,576
2034	20,467	10,109	20,467	10,109	30,576
2035	21,355	9,221	21,355	9,221	30,576
2036	22,260	8,316	22,260	8,316	30,576
2037	23,250	7,326	23,250	7,326	30,576
2038	24,258	6,318	24,258	6,318	30,576
2039	25,311	5,265	25,311	5,265	30,576
2040	26,400	4,176	26,400	4,176	30,576
2041	27,556	3,020	27,556	3,020	30,576
2042	28,753	1,823	28,753	1,823	30,576
2043	26,063	575	26,063	575	26,638
	<u>\$ 445,700</u>	<u>\$ 253,610</u>	<u>\$ 445,700</u>	<u>\$ 253,610</u>	<u>\$ 699,310</u>

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
 June 30, 2020

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Final maturity date	Outstanding 7/1/2019	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2020
Business-Type Activities Payable through Water and Sewer fund									
Bonds Payable									
Revenue Bonds - 2004 USDA Loan	\$ 575,000	4.25%	May 23, 2005	May 23, 2043	\$ 456,942	\$ -	\$ 11,242	\$ -	\$ 445,700
Total Bonds Payable	<u>\$ 575,000</u>				<u>\$ 456,942</u>	<u>\$ -</u>	<u>\$ 11,242</u>	<u>\$ -</u>	<u>\$ 445,700</u>

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2020

	CFDA Number	Contract Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Tennessee Department of Economic and Community Development			
Community Development Block Grant - Community Livability	14.228	12751	\$ 293,346
Total			\$ 293,346

See accompanying notes to the schedule of expenditures of federal awards.

See independent auditor's report.

TOWN OF BIG SANDY, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the awarded activity of the Town under programs of the federal government, respectively, for the year ended June 30, 2020. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards is reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Certain amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE SECTION



Independent Auditor's 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

Mayor and Board of Alderman
Town of Big Sandy, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Big Sandy, Tennessee (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-005 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 and 2020-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as items 2020-002, 2020-003, 2020-004, and 2020-005.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Alexander Thompson Arnold, PLLC".

Jackson, Tennessee
May 18, 2021

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

2020-001 Segregation of Duties (Significant Deficiency)

Condition: The Town of Big Sandy does not have a complete separation of duties for accounting functions.

Cause: The Town has limited personnel due to budget constraints and has not yet been able to properly separate the accounting functions to reduce the control risk.

Criteria: Proper segregation of duties involves separating the functions of recording transactions, posting to the general ledger, and reconciling general ledger accounts.

Effect: When accounting functions are not adequately segregated, the risk of errors and irregularities occurring and not being detected in a timely manner increases.

Recommendation: Controls should be used to ensure some separation of the cash, record keeping, and reconciliation procedures for all areas of the internal control system.

Response: The Town has separated accounting functions to the extent that it can be done with the limited staff available.

2020-002 – Reconciliations Not Performed (Material Weakness and Noncompliance)

Condition: The Town's records did not include documentation of a monthly reconciliation of utility accounts receivable as reflected in the utility billing reports to the general ledger control account. The Town's records also did not include adequate documentation of a monthly reconciliation of utility customer deposits as reflected in the utility customer deposit reports to the general ledger control account. The Town's general fund, water/sewer and solid waste funds bank account's activity required adjustment in the current year.

Cause: The accounting personnel is relatively new to the Town and there were reconciliations that were not performed timely. When the reconciliations were performed, there were still adjustments that were necessary to properly state the balances at year-end.

Criteria: Monthly accounts receivable, customer deposits, and bank reconciliations should be performed to ensure that accounts are correctly stated. A good system of internal control is part of generally accepted accounting principles.

Effect: Failure to perform monthly reconciliations of accounts receivable, accurate bank reconciliations, and customer deposits can lead to undetected errors and irregularities in these accounts. Reconciling the bank balance on a monthly basis is an especially crucial part of the internal control process.

Recommendation: We recommend that the Town work to complete monthly reconciliations of the utility accounts receivable, bank accounts, and customer deposits.

Response: The Town will comply with the recommendations noted.

2020-003 Certified Municipal Finance Officer (CMFO Program) (Significant Deficiency and Noncompliance)

Condition: The Town does not employ a Certified Municipal Finance Officer (CMFO).

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

Cause: The Town's long-time accountant and CMFO retired in the 2019 fiscal year. The employee hired by the Town had not previously been a CMFO and had not yet completed the CMFO training as of year-end.

Criteria: *Tennessee Code Annotated* section 6-56-402 requires that the Town employ a CMFO or an exempt qualified individual to ensure competence in the handling of municipal funds and the protection of public moneys.

Effect: This exposes the Town to a greater risk of improper handling of funds.

Recommendation: We recommend that the Town continue to work towards compliance with the CMFO requirement.

Response: The Town recorder will work on obtaining CMFO.

2020-004 Three-Day Deposit Rule (Noncompliance)

Condition: During our testing of cash receipts at the Town, we noted multiple instances where the Town did not deposit receipts within 3 business days as required.

Cause: The Town's daily revenue and cash functions were not completed properly.

Criteria: The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 11, Section 1 & 5, states "collections are deposited daily, if possible, but no more than three business days."

Effect: Failure to deposit funds timely can lead to erroneous or incorrect information and creates the potential for a loss of funds.

Recommendation: We recommend that official receipts should be issued for all collections and they should be deposited intact within three days of collection. The Town should follow the *Internal Control and Compliance Manual for Tennessee Municipalities* regarding depositing funds intact.

Response: The Town will work to ensure that all receipts are deposited within three days of collection.

2020-005 Expenditures in Excess of Budget (Material Weakness and Noncompliance)

Condition: The Town had total expenditures in excess of the total budgeted for expenditures in the General Fund by \$429,586.

Cause: The Town failed to budget for properly in the police department as it was \$12,440 over budget. The Town also did not budget for grant expenses in the amount of \$343,242.

Criteria: *Tennessee Code Annotated* Section 6-56-203 requires that municipalities expend funds in accordance with an authorized budget.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2020

Effects: The Town had expenditures not legally appropriated by the Town Board of Mayor and Aldermen.

Recommendation: We recommend that the Town make amendments in order to include all expenditures as they are known.

Management's Response: The budget is reviewed at each board meeting to ensure expenditures are not spent in excess of the budget.

TOWN OF BIG SANDY, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
 June 30, 2020

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status / Current Year Finding Number
2019-001	Segregation of Duties (original finding # 1997-002)	Repeated / 2020-001
2019-002	Reconciliations Not Performed (original finding #2018-002)	Repeated / 2020-002
2019-003	Certified Municipal Finance Officer (CMFO Program) (original finding #2018-003)	Repeated / 2020-003
2019-004	Three-Day Deposit Rule (original finding #2018-004)	Repeated / 2020-004
2019-005	Payroll Documentation Unable to be Provided (original finding # 2018-005)	Corrected
2019-006	Investigative Report - State of Tennessee Comptroller of the Treasury - Released October 23, 2019 (original finding # 2019-006)	Corrected
2019-007	Expenditures in Excess of Budget (original finding #2019-007)	Repeated / 2020-005

TOWN OF BIG SANDY, TENNESSEE

P.O. BOX 176
65 FRONT STREET
BIG SANDY, TN 38221
PHONE: 731-593-3213
FAX: 731-593-0971

MANAGEMENT'S CORRECTIVE ACTION PLAN

The Town of Big Sandy, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2020.

Contact person: Maria Austin, Town Recorder

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2020

The finding from the June 30, 2020, schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2020-001 Segregation of Duties (Significant Deficiency)

Person Responsible for Implementing the Corrective Action: Maria Austin, Town Recorder

Anticipated Completion Date: June 30, 2021

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: The Town has separated accounting functions to the extent that it can be done with the limited staff available.

Planned Corrective Action: The Town will continue to segregate accounting functions to the extent possible with the limited staff available.

2020-002 Reconciliations Not Performed (Material Weakness and Noncompliance)

Person Responsible for Implementing the Correction Plan: Maria Austin, Town Recorder

Anticipated Completion Date: June 30, 2021

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: The Town is attempting to properly reconcile accounts, however there were significant issues related to COVID-19 causing the staff to be limited in the current year.

Planned Corrective Action: We have taken the appropriate steps to reconcile balance sheet accounts to the general ledger. A process to ensure timely reconciliation of these accounts has been implemented and we are hopeful that continued training and education will help prevent a reoccurrence of this finding.

2020-003 Certified Municipal Finance Officer (CMFO Program) (Significant Deficiency and Noncompliance)

Person Responsible for Implementing the Correction Plan: Maria Austin, Town Recorder

Anticipated Completion Date: June 30, 2021

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: The Town Recorder is working on her certification, but as of the fiscal year-end had not obtained the certification.

Planned Corrective Action: The Town Recorder is going to continue to try and obtain the CMFO certification.

2020-004 Three-Day Deposit Rule (Noncompliance)

Person Responsible for Implementing the Correction Plan: Maria Austin, Town Recorder

Anticipated Completion Date: June 30, 2021

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: The Town worked on making deposits timely, however due to COVID-19 related issues, there were some deposits that were not made timely.

Planned Corrective Action: The Town is going to work to ensure that all funds are deposited within three business days in future years.

2020-005 Expenditures in Excess of Budget (Material Weakness and NonCompliance)

Person Responsible for Implementing the Correction Plan: Maria Austin, Town Recorder

Anticipated Completion Date: June 30, 2021

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: The Town has worked on the budget process. In 2020, the CDBG grant project required significant adjustment on the general ledger and was not budgeted for in the general fund. This caused the majority of the budgeting issue in the general fund.

Planned Corrective Action: The Town is going to review the budget in comparison to actual expenditures at monthly board meetings and make amendments to the budget as deemed necessary.

Maria Austin