

TOWN OF DECATUR, TENNESSEE

FINANCIAL REPORT

JUNE 30, 2021

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
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Report of Independent Certified Public Accountants
on the Financial Statements

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

To the Mayor and Board of Aldermen
Town of Decatur
Decatur, 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 Decatur, Tennessee, (the Town), as of and for the year ended June 30, 2021, 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 Decatur, Tennessee, as of June 30, 2021, 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's discussion and analysis on pages A-1 – A-__ and other required supplemental information on pages 38 and 39 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 Decatur, Tennessee's basic financial statements. The combining and individual nonmajor fund financial statements, the nonmajor special revenue funds budgetary comparison schedules, the schedule of revenues, expenses and changes in net position by division – water and sewer fund, the schedule of operating expenses – water and sewer fund, and the financial schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the nonmajor special revenue funds budgetary comparison schedules, the schedule of revenues, expenses and changes in net position by division – water and sewer fund, the schedule of operating expenses – water and sewer fund, and the financial schedules on pages 46 through 58 were derived from and relate 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 combining and individual nonmajor fund financial statements, the nonmajor special revenue funds budgetary comparison schedules, the schedule of revenues, expenses and changes in net position by division – water and sewer fund, the schedule of operating expenses – water and sewer fund, and the financial schedules on pages 46 through 53 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The financial schedules on pages 54 through 58 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2022, on our consideration of the Town of Decatur, Tennessee'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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Decatur, Tennessee's internal control over financial reporting and compliance.

Neal, Scouten & McConnell, P.C.

Chattanooga, Tennessee
February 11, 2022

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

As management of the Town of Decatur, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with information in the basic financial statements, which follow this narrative.

Financial Highlights

- The Town of Decatur's assets exceeded its liabilities by \$3,021,498 for governmental activities at June 30, 2021 (net position). Of this amount, \$1,435,494 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Decatur's assets exceeded its liabilities by \$12,136,037 for business-type activities at June 30, 2020.
- The Town's governmental activities total net position increased by \$42,901 during 2021.
- As of June 30, 2021, the Town's governmental funds reported combined ending fund balances of \$1,841,463, a decrease of \$53,478.
- As of June 30, 2021, unassigned fund balance for the General Fund was \$1,526,569, an increase of \$4,609 from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the Town of Decatur's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains required supplemental information and supplemental information that will enhance the reader's understanding of the financial condition of the Town.

Government-wide financial statements. The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the Town's financial status. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Town maintains four individual governmental funds. Information is presented separately in the balance sheet and in the statement of revenues, expenditures, and changes in fund balances for the General Fund. General Fund budgetary information is also provided in the basic financial statements. The General Fund represents the Town's major governmental fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements later in this report. Budgetary comparison schedules are provided for each nonmajor special revenue fund.

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

The governmental funds financial statements can be found on pages 6-9 of this report.

Proprietary funds. Services for which the Town charges customers a fee are generally reported in proprietary funds. The Town maintains a proprietary fund for its one enterprise fund, the Water and Sewer Fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Town's Water and Sewer Fund is the same as its business-type activities but provides more detail and additional information, such as cash flows.

The proprietary funds financial statements can be found on pages 13-15 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 16-37 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 progress in funding its obligation to provide pension benefits to its employees.

Required supplemental information can be found on pages 38-39 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplemental information. Combining and individual fund statements for nonmajor governmental funds, budgetary comparison information, further breaking down the Water and Sewer Fund and the financial schedules can be found on pages 40-58 of this report.

Government-wide Financial Analysis

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$15,157,535 as of June 30, 2021. The Town's net position increased by \$723,943 during the year ended June 30, 2021.

Of the Town's total assets of \$18,967,843, current and other assets – including cash and investments, totaled \$7,171,336. Capital assets, which are non-liquid assets and cannot be utilized to satisfy the Town's obligations, totaled \$11,518,167. 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

Town of Decatur
Net Position
June 30

	Governmental Activities		Businesss-Type Activities		Total	
	2021	2020	2021	2020	2020	2019
Current and other assets and deferred outflows	\$ 1,920,577	\$ 1,908,619	\$ 5,615,483	\$ 4,467,215	\$ 7,536,060	\$ 6,375,834
Capital assets	<u>1,348,660</u>	<u>1,342,107</u>	<u>10,169,507</u>	<u>10,222,737</u>	<u>11,518,167</u>	<u>11,564,844</u>
Total assets and deferred outflows	<u>\$ 3,269,237</u>	<u>\$ 3,250,726</u>	<u>\$ 15,784,990</u>	<u>\$ 14,689,952</u>	<u>\$ 19,054,227</u>	<u>\$ 16,811,788</u>
Long-term debt	\$ -	\$ -	\$ 3,473,541	\$ 3,149,378	\$ 3,473,541	\$ 3,149,378
Other liabilities and deferred inflows	<u>247,739</u>	<u>186,327</u>	<u>175,412</u>	<u>171,381</u>	<u>423,151</u>	<u>357,708</u>
Total liabilities and deferred outflows	<u>\$ 247,739</u>	<u>\$ 186,327</u>	<u>\$ 3,648,953</u>	<u>\$ 3,320,759</u>	<u>\$ 3,896,692</u>	<u>\$ 3,507,086</u>
Invested in capital assets, net of related debt	\$ 1,348,660	\$ 1,342,107	\$ 6,691,300	\$ 7,069,589	\$ 8,039,960	\$ 8,411,696
Restricted	237,344	343,130	124,978	56,034	362,322	399,164
Unrestricted	<u>1,435,494</u>	<u>1,379,162</u>	<u>5,319,759</u>	<u>4,243,570</u>	<u>6,755,253</u>	<u>5,622,732</u>
Total net position	<u>\$ 3,021,498</u>	<u>\$ 3,064,399</u>	<u>\$ 12,136,037</u>	<u>\$ 11,369,193</u>	<u>\$ 15,157,535</u>	<u>\$ 14,433,592</u>

Governmental activities. Governmental activities decreased the Town's net assets by \$42,901 for the current year.

Business-Type activities. Business-type activities increased the Town's net assets by \$766,844 for the current year.

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

Changes in Net Position
June 30

	Governmental Activities		Business-Type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 56,902	\$ 47,047	\$ 2,136,563	\$ 2,020,255	\$ 2,193,465	\$ 2,067,302
Operating grants and contributions	137,391	246,891	-	-	137,391	246,891
Capital grants and contributions	3,168	33,293	413,949	706,212	417,117	739,505
General revenues:						
Property taxes	122,900	120,332	-	-	122,900	120,332
Other local taxes and intergovernmental not restricted to specific programs	659,690	552,269	-	-	659,690	552,269
Investment Income	9,339	17,889	19,752	53,629	29,091	71,518
Other	17,592	29,155	(2,848)	10,100	14,744	39,255
Total revenues	<u>1,006,982</u>	<u>1,046,876</u>	<u>2,567,416</u>	<u>2,790,196</u>	<u>3,574,398</u>	<u>3,837,072</u>
Expenses:						
General government	238,506	204,319	-	-	238,506	204,319
Public Safety	551,427	529,714	-	-	551,427	529,714
Highways and streets	174,404	127,129	-	-	174,404	127,129
Parks and recreation	85,546	73,098	-	-	85,546	73,098
Water	-	-	1,307,421	1,222,491	1,307,421	1,222,491
Sewer	-	-	493,151	452,434	493,151	452,434
Total expenses	<u>1,049,883</u>	<u>934,260</u>	<u>1,800,572</u>	<u>1,674,925</u>	<u>2,850,455</u>	<u>2,609,185</u>
Change in net position	(42,901)	112,616	766,844	1,115,271	723,943	1,227,887
Net position, beginning	<u>3,064,399</u>	<u>2,951,783</u>	<u>11,369,193</u>	<u>10,253,922</u>	<u>14,433,592</u>	<u>13,205,705</u>
Net position, ending	<u>\$ 3,021,498</u>	<u>\$ 3,064,399</u>	<u>\$ 12,136,037</u>	<u>\$ 11,369,193</u>	<u>\$ 15,157,535</u>	<u>\$ 14,433,592</u>

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

Financial analysis of the Town's Funds

As noted earlier, the Town of Decatur uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the Town of Decatur governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies. At June 30, 2021, the Town's governmental funds reported a combined fund balance of \$1,631,634. Approximately 87% or \$1,416,321 constitutes unassigned fund balance.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,416,321. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 151% of total fund expenditures.

Proprietary Funds. The Town of Decatur's proprietary funds provide the same type of information as the government-wide financial statements, but with more detail.

Capital Asset and Debt Administration

Capital assets. At June 30, 2021 the Town had \$11,518,167 invested in capital assets, net of accumulated depreciation, including police and fire equipment, park and recreation equipment, buildings and water and sewer lines. This amount represents a net decrease of \$46,677.

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

Town of Decatur
Capital Assets
(Net of Depreciation)
June 30

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Buildings	\$ 363,387	\$ 372,113	\$ 44,919	\$ 31,721	\$ 408,306	\$ 403,834
Improvements other than buildings	452,535	501,672	-	-	452,535	501,672
Water	-	-	6,217,489	5,301,269	6,217,489	5,301,269
Sewer	-	-	3,657,858	3,239,889	3,657,858	3,239,889
Equipment, furniture, and fixtures	105,576	61,765	177,981	166,770	283,557	228,535
Vehicles	287,622	270,976	-	-	287,622	270,976
Land	99,259	99,259	71,260	71,260	170,519	170,519
Construction in Progress	40,281	36,322	-	1,411,828	40,281	1,448,150
Total	<u>\$ 1,348,660</u>	<u>\$ 1,342,107</u>	<u>\$ 10,169,507</u>	<u>\$10,222,737</u>	<u>\$ 11,518,167</u>	<u>\$ 11,564,844</u>

Additional information on the Town of Decatur's capital assets can be found in note 2 on pages 26-27 of this report.

Long-term debt. At the end of the current fiscal year, the Town had \$3,379,716 in debt outstanding compared to \$3,049,299 at the end of the prior year. This represents an approximate 11% increase in total debt over the prior year's debt.

Town of Decatur
Outstanding Debt
June 30

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds Payable	\$ -	\$ -	\$2,912,086	\$2,539,153	\$2,912,086	\$2,539,153
State Loans	-	-	467,630	510,146	467,630	510,146
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,379,716</u>	<u>\$3,049,299</u>	<u>\$3,379,716</u>	<u>\$3,049,299</u>

Town of Decatur, Tennessee
Management's Discussion and Analysis
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

The Town operated attempting to keep expenses as low as possible. The property tax rate for 2020 was set at \$.3429 per \$100 assessed value, which is the same as the 2020 rate.

Revenues are expected to remain similar in the governmental and business-type activities. Management has been conservative in estimation of revenues for 2021-2022 with the revenue generators having been in existence long enough to be able to project next year's revenue.

Management and the Board of Aldermen continue to review water and sewer rates in order to generate revenues sufficient to maintain the system at appropriate levels.

Contacting the Town's financial management

This management's discussion and analysis is designed to provide users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, contact 423-334-5716, Laura Smith, Town of Decatur, PO Box 188, Decatur, TN 37322.

**BASIC
FINANCIAL STATEMENTS**

TOWN OF DECATUR, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash	\$ 1,148,671	\$ 2,449,395	\$ 3,598,066
Certificates of deposit	270,556	2,549,112	2,819,668
Investments	45,795	40,123	85,918
Receivables:			
Accounts, net	6,026	321,653	327,679
Property taxes, net	126,430	-	126,430
Grants	55,326	-	55,326
Rent	3,100	-	3,100
Other governments	55,311	-	55,311
Internal balances	-	43,099	43,099
Inventory	20,000	36,839	56,839
Restricted cash	110,248	-	110,248
Restricted debt service reserve	-	65,062	65,062
Capital assets, net of depreciation	1,209,120	10,098,247	11,307,367
Nondepreciable capital assets	139,540	71,260	210,800
Net pension asset	43,014	59,916	102,930
Total assets	3,233,137	15,734,706	18,967,843
DEFERRED OUTFLOWS RELATED TO PENSIONS	36,100	50,284	86,384
	<u>\$ 3,269,237</u>	<u>\$ 15,784,990</u>	<u>\$ 19,054,227</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 3,254	\$ 9,901	\$ 13,155
Accrued payroll and withholdings	36,139	51,643	87,782
Internal balances	43,099	-	43,099
Customer deposits	-	52,870	52,870
Long-term debt:			
Due within one year	-	177,755	177,755
Due in more than one year	-	3,295,786	3,295,786
Total liabilities	82,492	3,587,955	3,670,447
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	43,791	60,998	104,789
Deferred inflows related to property taxes	121,456	-	121,456
Total deferred inflows	165,247	60,998	226,245
NET POSITION			
Net investment in capital assets	1,348,660	6,691,300	8,039,960
Restricted for:			
Police	110,248	-	110,248
Highways and streets	72,461	-	72,461
Drug	11,621	-	11,621
Pensions	43,014	59,916	102,930
Debt service reserve	-	65,062	65,062
Unrestricted	1,435,494	5,319,759	6,755,253
Total net position	3,021,498	12,136,037	15,157,535
	<u>\$ 3,269,237</u>	<u>\$ 15,784,990</u>	<u>\$ 19,054,227</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 238,506	\$ 26,218	\$ 40,686	\$ 3,168	\$ (168,434)	\$ -	\$ (168,434)
Public safety - police	444,150	30,684	18,563	-	(394,903)	-	(394,903)
Public safety - fire	107,277	-	300	-	(106,977)	-	(106,977)
Highways and streets	174,404	-	59,774	-	(114,630)	-	(114,630)
Parks and recreation	85,546	-	18,068	-	(67,478)	-	(67,478)
Total governmental activities	<u>1,049,883</u>	<u>56,902</u>	<u>137,391</u>	<u>3,168</u>	<u>(852,422)</u>	<u>-</u>	<u>(852,422)</u>
Business-Type activities:							
Water	1,307,421	1,564,616	-	50,956	-	308,151	308,151
Sewer	493,151	571,947	-	362,993	-	441,789	441,789
Total business-type activities	<u>1,800,572</u>	<u>2,136,563</u>	<u>-</u>	<u>413,949</u>	<u>-</u>	<u>749,940</u>	<u>749,940</u>
Total primary government	<u>\$ 2,850,455</u>	<u>\$ 2,193,465</u>	<u>\$ 137,391</u>	<u>\$ 417,117</u>	<u>(852,422)</u>	<u>749,940</u>	<u>(102,482)</u>
General revenues:							
Property taxes					122,900	-	122,900
Local sales tax					325,074	-	325,074
In lieu of taxes					23,733	-	23,733
Wholesale beer tax					91,500	-	91,500
Other local taxes					38,489	-	38,489
Intergovernmental revenues not restricted to specific programs					180,894	-	180,894
Interest income					9,339	19,752	29,091
Insurance proceeds					5,088	2,250	7,338
Loss on disposal of assets					-	(5,098)	(5,098)
Miscellaneous					12,504	-	12,504
Total general revenues					<u>809,521</u>	<u>16,904</u>	<u>826,425</u>
Change in net position					<u>(42,901)</u>	<u>766,844</u>	<u>723,943</u>
Net position, beginning of year					<u>3,064,399</u>	<u>11,369,193</u>	<u>14,433,592</u>
Net position, end of year					<u>\$ 3,021,498</u>	<u>\$12,136,037</u>	<u>\$ 15,157,535</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,063,606	\$ 85,065	\$1,148,671
Certificates of deposit	270,556	-	270,556
Investments	45,795	-	45,795
Receivables:			
Accounts	6,026	-	6,026
Property taxes, less allowance of \$3,069	126,430	-	126,430
Grants	55,326	-	55,326
Other governments	55,311	-	55,311
Rent	3,100	-	3,100
Inventory	-	20,000	20,000
Restricted cash	110,248	-	110,248
Total assets	<u>\$ 1,736,398</u>	<u>\$ 105,065</u>	<u>\$1,841,463</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,254	\$ -	\$ 3,254
Interfund payable	43,099	-	43,099
Accrued payroll and withholdings	36,139	-	36,139
Unearned revenue	907	-	907
Total liabilities	83,399	-	83,399
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to property taxes	126,430	-	126,430
	<u>209,829</u>	<u>-</u>	<u>209,829</u>
FUND BALANCES			
Nonspendable	-	20,000	20,000
Restricted	110,248	84,082	194,330
Assigned	-	983	983
Unassigned	1,416,321	-	1,416,321
Total fund balances	<u>1,526,569</u>	<u>105,065</u>	<u>1,631,634</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,736,398</u>	<u>\$ 105,065</u>	<u>\$1,841,463</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balances	\$ 1,631,634
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Amounts for governmental activities in the statement of net position are different because:

Capital assets and related accumulated depreciation are not financial resources or uses and not reported in the funds.

Capital assets - cost	\$ 3,026,557	
Accumulated depreciation	<u>(1,677,897)</u>	1,348,660

Net pension asset is not reflected in funds.	43,014
--	--------

Deferred outflows related to pensions is not reflected in funds.	36,100
--	--------

Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are unearned in the funds.

Property taxes	4,974	
Intergovernmental revenue	<u>907</u>	5,881

Deferred inflows related to pensions is not reflected in funds.	<u>(43,791)</u>
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Net position of governmental activities	<u>\$ 3,021,498</u>
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 124,652	\$ -	\$ 124,652
Other local taxes	478,796	-	478,796
Intergovernmental	262,456	56,601	319,057
Charges for services	26,218	-	26,218
Fines and forfeitures	22,372	8,312	30,684
Interest and penalty	9,193	146	9,339
Miscellaneous	11,733	-	11,733
Total revenues	<u>935,420</u>	<u>65,059</u>	<u>1,000,479</u>
EXPENDITURES			
General government	247,262	-	247,262
Public safety - police	429,367	-	429,367
Public safety - fire	156,403	-	156,403
Highways and streets	66,788	104,706	171,494
Parks and recreation	38,079	-	38,079
Drug investigation	-	18,440	18,440
Total expenditures	<u>937,899</u>	<u>123,146</u>	<u>1,061,045</u>
REVENUES UNDER EXPENDITURES	<u>(2,479)</u>	<u>(58,087)</u>	<u>(60,566)</u>
OTHER FINANCING SOURCES			
Capital contributions	2,000	-	2,000
Insurance proceeds	5,088	-	5,088
Total other financing sources	<u>7,088</u>	<u>-</u>	<u>7,088</u>
NET CHANGE IN FUND BALANCES	4,609	(58,087)	(53,478)
FUND BALANCES, beginning of year	<u>1,521,960</u>	<u>163,152</u>	<u>1,685,112</u>
FUND BALANCES, end of year	<u><u>\$ 1,526,569</u></u>	<u><u>\$ 105,065</u></u>	<u><u>\$ 1,631,634</u></u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net change in fund balances	\$ (53,478)
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Amounts for governmental activities included in the statement of activities are different because:

Property taxes are recognized as revenue in the period for which they are levied in the statement of activities while funds recognize revenue when collected and available.

Current year levy	\$ 122,900	
Fund revenue recognized	<u>(124,652)</u>	(1,752)

Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.

State beer tax-full accrual	749	
State income tax-full accrual	3,351	
Collected fund revenue	<u>(3,705)</u>	395

Funds report capital outlays as expenditures, while asset cost is capitalized and allocated over the estimated useful lives as depreciation expense in the statement of activities.

Capital asset expenditures in the current period	167,685	
Less current year depreciation	<u>(161,132)</u>	6,553

Retirement expense in funds is deferred outflows in government-wide.	9,596
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Other pension item not included in funds.	771
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Pension expense is not recognized in funds.	<u>(4,986)</u>
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Change in net position of governmental activities	<u>\$ (42,901)</u>
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 82,000	\$ 82,000	\$ 88,372	\$ 6,372
Property taxes-prior	6,000	6,000	4,995	(1,005)
Property taxes-delinquent	1,000	1,000	2,164	1,164
Public utilities taxes	27,000	27,000	29,121	2,121
Total property taxes	116,000	116,000	124,652	8,652
OTHER LOCAL TAXES				
In lieu of taxes	22,600	22,600	23,733	1,133
Local sales tax	240,000	240,000	325,074	85,074
Wholesale beer tax	84,000	84,000	91,500	7,500
Gross business tax	19,000	19,000	22,664	3,664
Cable TV franchise fees	15,000	15,000	15,825	825
Total other local taxes	380,600	380,600	478,796	98,196
INTERGOVERNMENTAL				
State sales tax	130,000	130,000	166,822	36,822
State beer tax	750	750	757	7
State income tax	1,500	1,500	2,949	1,449
Streets and transportation	3,400	3,400	3,172	(228)
State mixed drink tax	3,600	3,600	3,725	125
State excise tax	2,000	2,000	5,579	3,579
Telecommunications tax	600	600	668	68
Police grants	5,000	5,000	13,763	8,763
Reimbursements - other government agencies	10,800	10,800	65,021	54,221
Total intergovernmental	157,650	157,650	262,456	104,806
CHARGES FOR SERVICES				
Licenses and permits	1,000	1,000	1,515	515
Rental	24,300	24,300	24,703	403
Total charges for services	25,300	25,300	26,218	918
FINES AND FORFEITURES				
Court fines	22,070	22,070	22,372	302

(continued)

TOWN OF DECATUR, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2021
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
INTEREST AND PENALTY				
Penalty and interest on property tax	\$ 1,000	\$ 1,000	\$ 1,643	\$ 643
Interest income	9,000	9,000	7,550	(1,450)
Total interest and penalty	10,000	10,000	9,193	(807)
MISCELLANEOUS	5,000	5,000	11,733	6,733
Total revenues	716,620	716,620	935,420	218,800
EXPENDITURES				
GENERAL GOVERNMENT				
Personnel	73,870	75,331	73,705	1,626
Planning and zoning	14,200	14,200	12,335	1,865
City Judge	1,250	1,250	500	750
Legal services	4,500	4,500	3,376	1,124
Animal control	3,000	3,000	3,000	-
Capital outlay	-	31,520	31,383	137
Other	95,550	120,840	122,963	(2,123)
Total General Government	192,370	250,641	247,262	3,379
PUBLIC SAFETY - POLICE DEPARTMENT				
Personnel	340,150	352,988	342,706	10,282
Operations	18,400	19,800	51,617	(31,817)
Capital outlay	11,000	68,800	35,044	33,756
Total Public Safety - Police Department	369,550	441,588	429,367	12,221
PUBLIC SAFETY - FIRE DEPARTMENT				
Personnel	27,030	28,030	21,676	6,354
Operations	19,500	21,600	33,470	(11,870)
Capital outlay	18,000	123,000	101,257	21,743
Total Public Safety - Fire Department	64,530	172,630	156,403	16,227
HIGHWAYS AND STREETS				
Personnel	45,350	46,830	36,763	10,067
Operations	23,500	23,500	30,025	(6,525)
Paving and maintenance	7,500	7,500	-	7,500
Total Highways and Streets	76,350	77,830	66,788	11,042

(continued)

TOWN OF DECATUR, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2021
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
PARKS AND RECREATION				
Personnel	\$ 15,650	\$ 16,050	\$ 16,070	\$ (20)
Operations	12,800	26,300	22,009	4,291
Total Parks and Recreation	28,450	42,350	38,079	4,271
Total expenditures	731,250	985,039	937,899	47,140
REVENUES OVER (UNDER)				
EXPENDITURES	(14,630)	(268,419)	(2,479)	265,940
OTHER FINANCING SOURCES				
Capital contributions	-	-	2,000	2,000
Insurance proceeds	-	-	5,088	5,088
Total other financing sources	-	-	7,088	7,088
NET CHANGE IN FUND BALANCE	(14,630)	(268,419)	4,609	273,028
FUND BALANCE, beginning of year	1,521,960	1,521,960	1,521,960	-
FUND BALANCE, end of year	\$1,507,330	\$1,253,541	\$1,526,569	\$ 273,028

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
STATEMENT OF NET POSITION
WATER AND SEWER FUND
June 30, 2021

ASSETS AND DEFERRED OUTFLOWS

Current assets

Cash	\$ 2,449,395
Certificates of deposit	2,549,112
Investments	40,123
Receivables:	
Accounts, less allowance of \$10,000	321,653
Interfund	43,099
Inventory	36,839
Total current assets	<u>5,440,221</u>

Noncurrent assets

Capital assets:	
Depreciable	10,098,247
Nondepreciable	71,260
Net capital assets	<u>10,169,507</u>
Net pension asset	59,916
Restricted debt service reserve	65,062
Total assets	<u>15,734,706</u>

DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS

50,284

\$ 15,784,990

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities

Current maturities of long-term debt	\$ 177,755
Accounts payable	9,901
Accrued payroll and withholdings	51,643
Total current liabilities	<u>239,299</u>

Noncurrent liabilities

Customer deposits	52,870
Long-term debt, net, less current portion	3,295,786
Total noncurrent liabilities	<u>3,348,656</u>

DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

60,998

Total liabilities and deferred inflows

3,648,953

NET POSITION

Net investment in capital assets	6,691,300
Restricted for:	
Pension	59,916
Debt service reserve	65,062
Unrestricted	5,319,759
Total net position	<u>12,136,037</u>
	<u>\$ 15,784,990</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF DECATUR, TENNESSEE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND
Year Ended June 30, 2021**

OPERATING REVENUES

Charges for services	\$ 2,103,021
Penalties	19,136
Miscellaneous	<u>14,406</u>
Total operating revenues	<u>2,136,563</u>

OPERATING EXPENSES

Operations	964,181
Maintenance	168,737
Administration	56,036
Depreciation	<u>523,667</u>
Total operating expenses	<u>1,712,621</u>

NET OPERATING INCOME	<u>423,942</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	19,752
Interest expense	(84,206)
Bond premium amortization	6,255
Bond issuance costs	(10,000)
Insurance proceeds	2,250
Loss on disposal of assets	<u>(5,098)</u>
Total nonoperating expenses, net	<u>(71,047)</u>

Change in net position before capital contributions	352,895
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Capital contributions	<u>413,949</u>
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CHANGE IN NET POSITION	766,844
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NET POSITION, beginning of year	<u>11,369,193</u>
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NET POSITION, end of year	<u><u>\$ 12,136,037</u></u>
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,093,043
Payments to employees	(504,572)
Payments to suppliers and vendors	(708,753)
Customer deposits received	9,750
Customer deposits refunded	(7,140)
Net cash provided by operating activities	<u>882,328</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

-

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(481,475)
Principal paid on long-term debt	(169,583)
Interest paid on long-term debt	(84,744)
Proceeds from issuance of debt	500,000
Bond issuance costs	(10,000)
Insurance proceeds	2,250
Capital contributions	647,502
Net cash provided by capital and related financing activities	<u>403,950</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	19,752
Reinvestment in certificates of deposit and investments	38,280
Net cash provided by investing activities	<u>58,032</u>
Net increase in cash and cash equivalents	1,344,310
Cash and cash equivalents, beginning of year	<u>1,170,147</u>
Cash and cash equivalents, end of year	<u>\$ 2,514,457</u>
Cash	\$ 2,449,395
Restricted debt service reserve	<u>65,062</u>
	<u>\$ 2,514,457</u>

Reconciliation of net operating income to net cash provided by operating activities:

Net operating income	\$ 423,942
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	523,667
Changes in assets and liabilities:	
Accounts receivable	(421)
Interfund receivable/payable	(67,444)
Inventory	(4,546)
Customer deposits	2,610
Accounts payable	398
Accrued payroll and withholdings	9,773
Net pension asset	(3,882)
Deferred outflows related to pensions	502
Deferred inflows related to pensions	(2,271)
Net cash provided by operating activities	<u>\$ 882,328</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

The Town of Decatur, Tennessee (the Town) was incorporated in 1905 under Tennessee law. The Town is governed by the elected Mayor and six elected Aldermen and provides the following services to the citizens of the Town: police and fire protection, water and sewer services, parks and recreation facilities, maintenance of streets and highways, and general administrative services.

In accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, which are to be presented on a full accrual basis of accounting. The Town's funds are reported as governmental activities or business-type activities. Fund financial statements are presented on the modified accrual basis of accounting for governmental activities and present information by individual major funds. Nonmajor funds are presented in total in one column.

The financial statements of the Town have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies used by the Town are described below.

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Town of Decatur, Tennessee. Component units are to be included in the Town's reporting entity based on the significance of their operational or financial relationships with the Town. Inclusion of a component unit in the Town's reporting entity is based upon criteria provided by Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards, including whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

The Town does not have any component units based on the criteria stated above.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Town. As a general rule, the effect of interfund activity has been eliminated from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities rely to a significant extent on fees and charges for services.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” (the Town may act as either provider or recipient) the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met.

Resources transmitted before the eligibility requirements are met should be reported as advances by the provider and unearned revenue by the recipient. Certain nonexchange transactions where revenues are collected by other governments are not recognized in the statement of activities because they are not measurable at year end. The statement of activities reflects these transactions (bank excise tax and gross receipts tax) on the same basis as the fund financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. The Town does not allocate indirect expenses to functions or activities in the statement of activities. Program revenues include 1) charges to individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not considered program revenues are reported as general revenues. When both restricted and unrestricted resources are available for use, the Town’s policy is to use restricted resources first.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

State and federal funding is recognized as revenue in the period the Town is entitled to the resources and the amounts are available. Reimbursements from expenditure-driven programs are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements (continued):

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Proprietary fund activity and transactions are classified as operating if the transaction constitutes activity that is the fund's principal ongoing operations. Activity not pertaining to the fund's ongoing operations is reported as nonoperating.

Governmental Funds:

The measurement focus of governmental funds is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. The following are the Town's governmental fund types:

General Fund: The General Fund is the principal fund of the Town and is used to account for the financial resources of the Town, which are not accounted for in other funds. The principal sources of revenues are taxes and state-shared revenue. Primary expenditures are for public safety, public works and general administration.

Special Revenue Funds: Special Revenue Funds are used to account for revenues from sources which, by law, are designated to finance particular functions or activities of the Town and which, therefore, cannot be diverted to other uses.

Drug Fund: This fund was established expressly to account for financial activities related to drug revenues and expenditures. Primary sources of revenue result from drug fines and forfeitures restricted under law for drug enforcement and drug awareness and education.

State Street Aid Fund: This fund accounts for state-shared gasoline tax revenue received to provide for street lighting and road maintenance. State funds received specifically for street lighting and road maintenance are the primary revenue sources.

Capital Projects Fund: Resources designated for the construction or acquisition of major capital assets are accounted for in this fund. Revenues are derived primarily from debt proceeds or capital grants.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements (continued):

Proprietary Fund:

The proprietary fund of the Town is an Enterprise Fund. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector and, accordingly, these funds are maintained on the accrual basis of accounting. The Town's proprietary fund type, which is enterprise in nature, is as follows:

Enterprise Funds: These funds account for the acquisition, operations, and maintenance of Town facilities and services which are entirely or predominantly self-supporting through user charges.

Water and Sewer Fund: To provide water and sewer services to customers by operating and maintaining the water and sewer systems.

Funds are classified as major funds or nonmajor funds within the statements. An emphasis is placed on major funds with all nonmajor funds presented in total in one column on the governmental and proprietary funds financial statements.

The Town's major governmental fund is the General Fund while the Water and Sewer Fund is a major proprietary fund.

C. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

Formal budgets are adopted by the Board of Aldermen as a management control device during the year. The governmental type funds, special revenue and enterprise funds are subject to budgetary control. Any revisions to the budget must be approved by the Board of Aldermen. Expenditures may not legally exceed appropriations authorized by the Board of Aldermen and any authorized revisions.

Unused appropriations for any of the annually budgeted funds lapse at the end of the year.

D. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash

Cash consists of demand deposits and certificates of deposit with original maturities of 90 days or less. In accordance with governmental accounting standards, restricted assets which meet the standard's criteria are considered cash equivalents for purposes of the statements of cash flows.

F. Inventories

Inventories are recorded at the lower of cost (first-in, first-out method) or market. Inventory recorded in the Capital Projects Fund consists of land purchased by the Town for future use. Reported inventories in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

G. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide statements and in the fund financial statements for proprietary funds. Repairs and maintenance are recorded as expenses. Capital assets are defined as assets with an estimated useful life in excess of one year and an initial individual cost in excess of \$1,000. Activities which extend the useful life of a capital asset are capitalized. During the year, no interest was capitalized. Donated assets are recorded at their fair market value on the date of donation.

GASB No. 34 requires the Town to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, street lights, traffic lights, sidewalks, and other assets. Under GASB No. 34, phase 3 governments (governments with annual revenues of less than \$10 million) were not required to report infrastructures retroactively. As a result, the government-wide financial statements do not reflect those infrastructure assets that were in service prior to July 1, 2002.

Capital asset depreciation is provided using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Building and improvements	10-40
Water distribution system	25-50
Infrastructure	15-75
Sewer system	25-50
Vehicles	5
Machinery and equipment	5-10
Furniture and fixtures	7-10
Computer software	3

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

G. Capital Assets (continued)

In the fund financial statements, the acquisition of capital assets is accounted for as capital outlay expenditures and depreciation is not reported.

H. Interfund Transactions

During the course of the Town's operations, transactions occur between individual funds that are classified as transfers or as receivables/payables in the fund financial statements. These fund transactions are eliminated in the government-wide financial statements within the governmental activities column and the business-type activities column. A payable exists in the General Fund of \$43,099 to the Water and Sewer Fund that is presented as internal balances in the government-wide financial statements. Interfund transactions are used to (1) move revenues from the fund that state statute or town ordinances requires to collect them to the fund that state statutes or town ordinances requires to expend them, and (2) move revenues to fund that actually incurred the cost associated with the revenue.

I. Compensatory Pay

Sick leave is earned at a rate of eight hours per month and any unused hours can be carried over. Any unused sick leave is lost in the event of termination of employment.

No vacation leave is accrued during the first year of employment. On the first anniversary date of employment an employee receives a lump sum accrual of two weeks vacation. Thereafter, vacation is accumulated on a monthly basis at varying hours per month depending on the number of years of service. For anyone employed over 10 years, vacation leave accumulates at 20 days for the first 10 years plus one day per year for each additional year of service. Unused vacation leave can be carried over to the next calendar year up to the maximum number of hours equal to the employee's annual vacation accrual rate. Any unused vacation in excess of the amount available for carry over will be rolled into sick leave hours. In the event of termination, an employee will be paid for any unused vacation leave that has accumulated.

J. Long-term Debt

Long-term debt consists of bonds and notes incurred by the Town with a repayment period longer than one year and without provisions allowing the debt holder to demand payment at an earlier time. For debt issued by governmental funds, the accounting treatment of long-term debt differs between the government-wide and fund financial statements. All long-term debt is reported as a liability in the government-wide statements. The fund financial statements for governmental funds report long-term debt principal and interest payments as expenditures and do not reflect a liability for these or any other long-term liability.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

K. Property Tax Information

In the government-wide financial statements, property tax revenues are recognized as revenue in the fiscal year for which the taxes are levied. Property taxes are based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on the assessment date and are therefore recognized on this date. In October, property taxes are due and are considered delinquent if not paid by the first day of March. Amounts owed to the Town as of year-end, which are not available, are recorded as receivables and unearned revenue in the fund financial statements.

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town. Town property tax revenues are recognized when levied to the extent that they result in current receivables. Taxes not collected as of March 1 of the following year are considered delinquent and are subject to lien on March 1 of the succeeding year.

Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Public Utility Property	55%	(Railroads 40%)
Industrial and Commercial Property:		
Real	40	
Personal	30	
Residential Property	25	

L. Allowance for Doubtful Accounts Receivable

The Town reports accounts receivables for certain funds net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowances are estimated by management based on past experience.

Allowances have been provided for uncollectible taxes and uncollectible water and sewer fund accounts receivable in the amounts of \$3,069 and \$10,000, respectively.

M. Restricted Assets

The Town is required to restrict assets for funding debt and to pay repairs and/or replacement of major system assets. The Water and Sewer Fund has established a restricted debt service reserve that is reflected in the accompanying financial statements as follows:

Certificate of deposit - debt repayment	\$ 48,396
Cash - short-lived asset reserve	<u>16,666</u>
Total restricted assets	<u>\$ 65,062</u>

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

N. 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 Decatur's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Decatur'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. Investments are reported at fair value.

O. Net Position and Fund Balances

Net position in the government-wide financial statements is classified in three components:

1. Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related debt that is attributable to the acquisition, construction, or improvement of those assets. If there are unspent debt proceeds, these proceeds are not included in the calculation of net investment in capital assets.
2. Restricted net position – Consists of assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other assets that do not meet the definition of restricted or net investment in capital assets.

GASB No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

Fund balance in the fund financial statements is reported in five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (continued)

O. Net Position and Fund Balances (continued)

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution of the Town's Board of Aldermen. Those committed amounts cannot be used for any other purpose unless the Town's Board of Aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town's Board of Aldermen has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor 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 funds.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first.

When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, then assigned funds, and unassigned funds last.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Capital Assets

Capital asset activity was as follows:

	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
<u>Governmental Activities:</u>				
Capital assets being depreciated:				
Buildings	\$ 657,004	\$ 10,640	\$ -	\$ 667,644
Improvements other than buildings	860,013	-	-	860,013
Equipment, furniture, and fixtures	374,621	59,622	23,564	410,679
Vehicles	855,217	93,464	-	948,681
Total depreciable capital assets	<u>2,746,855</u>	<u>163,726</u>	<u>23,564</u>	<u>2,887,017</u>
Accumulated depreciation:				
Buildings	284,891	19,366	-	304,257
Improvements other than buildings	358,341	49,137	-	407,478
Equipment, furniture, and fixtures	312,856	15,811	23,564	305,103
Vehicles	584,241	76,818	-	661,059
Total accumulated depreciation	<u>1,540,329</u>	<u>161,132</u>	<u>23,564</u>	<u>1,677,897</u>
Net depreciable capital assets	<u>1,206,526</u>	<u>2,594</u>	<u>-</u>	<u>1,209,120</u>
Capital assets not being depreciated:				
Land	99,259	-	-	99,259
Construction in progress	36,322	3,959	-	40,281
Total non-depreciable capital assets	<u>135,581</u>	<u>3,959</u>	<u>-</u>	<u>139,540</u>
Net governmental capital assets	<u>\$ 1,342,107</u>	<u>\$ 6,553</u>	<u>\$ -</u>	<u>\$ 1,348,660</u>

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Capital Assets (continued)

	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
<u>Business-Type Activities:</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 91,015	\$ 15,960	\$ -	\$ 106,975
Water system	10,797,826	1,209,287	-	12,007,113
Sewer system	6,852,238	597,003	-	7,449,241
Equipment, furniture, and fixtures	728,725	65,113	78,797	715,041
Total depreciable capital assets	18,469,804	1,887,363	78,797	20,278,370
Accumulated depreciation:				
Buildings and improvements	59,294	2,762	-	62,056
Water system	5,496,557	293,067	-	5,789,624
Sewer system	3,612,349	179,034	-	3,791,383
Equipment, furniture, and fixtures	561,955	48,804	73,699	537,060
Total accumulated depreciation	9,730,155	523,667	73,699	10,180,123
Net depreciable capital assets	8,739,649	1,363,696	5,098	10,098,247
Capital assets not being depreciated:				
Land	71,260	-	-	71,260
Construction in progress	1,411,828	417,477	1,829,305	-
Total non-depreciable capital assets	1,483,088	417,477	1,829,305	71,260
Net business-type capital assets	\$10,222,737	\$1,781,173	\$1,834,403	\$10,169,507

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		Business-Type Activities	
General government	\$ 23,219	Water	\$344,633
Public safety – police	34,862	Sewer	179,034
Public safety – fire	52,131		\$523,667
Highways and streets	47,623		
Parks and recreation	3,297		
	<u>\$161,132</u>		

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Long-Term Debt and Other Long-Term Liabilities

Long-term debt at June 30, 2021, consisted of the following:

	Balance 6/30/2021	Due within one year
<u>Business-Type Activities</u>		
Water and Sewer Revenue and Tax Bonds, Series 2017; dated September 23, 2020; 1.50%; due in monthly installments of \$1,390	\$ 493,065	\$ 9,348
Water and Sewer Revenue Bonds, Series 2017; dated October 6, 2017; 3.00%; due in annual installments	1,865,000	115,000
State revolving loan, dated June 27, 2007; 1.19%; due in monthly installments of \$4,033	467,630	43,032
Water and Sewer Revenue and Tax Bonds, Series 2015; dated November 15, 2015; 2.50%; due in monthly installments of \$2,010	<u>554,021</u>	<u>10,375</u>
Total long-term debt – business-type activities	3,379,716	177,755
Unamortized bond premium	<u>93,825</u>	<u>-</u>
Net long-term debt – business-type activities	<u><u>\$ 3,473,541</u></u>	<u><u>\$ 177,755</u></u>

Long-term debt and other long-term liabilities activity for the year is as follows:

	Balance 7/1/20	Additions	Payments	Balance 6/30/21	Due within one year
Business-Type Activities:					
Water and Sewer revenue bonds	\$2,539,153	\$ 500,000	\$ 127,067	\$2,912,086	\$ 134,723
State loans	<u>510,146</u>	<u>-</u>	<u>42,516</u>	<u>467,630</u>	<u>43,032</u>
Long-term debt	3,049,299	500,000	169,583	3,379,716	177,755
Other long-term liabilities:					
Customer deposits	<u>50,260</u>	<u>9,750</u>	<u>7,140</u>	<u>52,870</u>	<u>-</u>
Total	<u><u>\$3,099,559</u></u>	<u><u>\$ 509,750</u></u>	<u><u>\$ 176,723</u></u>	<u><u>\$3,432,586</u></u>	<u><u>\$ 177,755</u></u>

During 2021, the Town issued \$500,000 of Water and Sewer Revenue and Tax Bonds, Series 2017. The proceeds will be used to upgrade the existing distribution system. The upgrade is expected to have a project cost of \$1,195,000. In addition to the bond proceeds, the Town expects to receive grant funds of \$695,000 to be used on the project. The 40 year loan bears interest at 1.5%. Issue cost of \$10,000 are expensed in the Water and Sewer Fund.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Long-Term Debt and Other Long-Term Liabilities (continued)

In 2018, the Town refunded Water and Sewer Revenue Bonds Series' 1994, 1996, 1997, and 2005 through the issuance of Water and Sewer Revenue and Tax Refunding Bonds, Series 2017, dated October 6, 2017. The refunding reduced the Town's total debt service payments over the next 29 years by \$1,036,122 and resulted in an economic gain, the difference between present value of old and new debt service payments, of \$636,846.

A summary of the maturities of principal and interest due on long-term debt is as follows:

<u>Business-Type Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 177,755	\$ 82,441	\$ 260,196
2023	178,674	78,072	256,746
2024	184,602	73,694	258,296
2025	190,552	69,144	259,696
2026	191,523	64,423	255,946
2027-2031	1,042,612	247,868	1,290,480
2032-2036	709,402	120,716	830,118
2037-2041	139,678	64,322	204,000
2042-2046	154,930	49,070	204,000
2047-2051	171,948	32,052	204,000
2052-2056	171,970	13,189	185,159
2057-2061	66,070	2,107	68,177

The Town's water and sewer bonds are payable from and secured by a first pledge of the revenues to be derived from the operation of the system. If revenues from the water and sewer system are insufficient to service the bonds, the Town is required to establish ad valorem taxes to pay the debt. The bonds are also collateralized by a statutory mortgage lien on the system.

The principal and interest payments on all long-term debt were current as of June 30, 2021. The Town was in compliance with all restrictive bond covenants at June 30, 2021.

Note 4. Cash Deposits and Investments

Cash deposits:

State statutes require that all deposits with financial institutions must be collateralized by an amount equal to 105 percent of the face amount or value of uninsured deposits. Under these statutes, the deposits must be either covered by state or federal depository insurance, by collateral held by the Town's agent in the Town's name or by the Federal Reserve Bank acting as a third-party agent. At June 30, 2021, the Town's funds were fully collateralized.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Cash Deposits and Investments (continued)

Investments:

State statutes authorize the Town to invest in obligations of the U.S. Treasury, its agents and instrumentalities, repurchase agreements, interest earning money market accounts, certificates of deposit, obligations of the state or any agency of the state, and the State of Tennessee Local Government Investment Pool (LGIP).

The LGIP was not rated as of June 30, 2021. At June 30, 2021, the investments of the LGIP had a weighted average of 44 days. Investments in the LGIP are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. Regulatory oversight for the LGIP is provided by the State legislature, the State Comptroller and the State Funding Board.

All of the Town's investments, \$85,918 were held by the State of Tennessee in the LGIP and are not required to be categorized as to credit risk.

Note 5. Operating Leases

The Town entered into a seven year lease agreement in December 2019. The agreement contains a renewal option for four additional terms of five years each.

Minimum future rental payments of principal to be received under the lease for each of the next five years are as follows:

2022	\$ 18,350
2023	18,950
2024	19,200
2025	19,550
2026	19,800
Thereafter	20,500

In addition, the Town collects rent under three month-to-month leases and one yearly lease. Total rental income recognized by the Town was \$24,703 for 2021.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Employee Retirement Plans

On July 1, 2006, the Town's elected officials approved the Town's participation in the Tennessee Consolidated Retirement System.

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

Employees covered by benefit terms. At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>21</u>
	<u>36</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town of Decatur makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the employer contributions for the Town of Decatur were \$22,964 based on a rate of 2.82 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town of Decatur'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.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Employee Retirement Plans (continued)

Net Pension Liability (Asset)

Town of Decatur's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges for 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

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

The actuarial assumptions used in the June 30, 2020, 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 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 2.50 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>

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Employee Retirement Plans (continued)

Net Pension Liability (Asset) (continued)

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

Changes in the net pension liability (asset) are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/19	\$ 933,206	\$ 1,027,763	\$ (94,557)
Changes for the year:			
Service cost	59,989	-	59,989
Interest	70,717	-	70,717
Differences between expected and actual experience	(24,730)	-	(24,730)
Contributions-			
Employer	-	23,249	(23,249)
Employees	-	41,222	(41,222)
Net investment income	-	51,650	(51,650)
Benefit payments, including refunds of employee contributions	(35,589)	(35,589)	-
Administrative expense	-	(1,772)	1,772
Net changes	70,387	78,760	(8,373)
Balance at 6/30/20	<u>\$ 1,003,593</u>	<u>\$ 1,106,523</u>	<u>\$ (102,930)</u>

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Employee Retirement Plans (continued)

Net Pension Liability (Asset) (continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Town of Decatur 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town of Decatur's net pension liability (asset)	\$ 70,964	\$ (102,930)	\$ (240,022)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2021, the Town of Decatur recognized pension expense of \$11,931.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021, the Town of Decatur reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,114	\$ 104,789
Net difference between projected and actual earnings on pension plan investments	9,206	-
Changes in assumptions	19,100	-
Contributions subsequent to the measurement date June 30, 2020	<u>22,964</u>	<u>-</u>
Total	<u>\$ 86,384</u>	<u>\$ 104,789</u>

The amount shown above for contributions subsequent to the measurement date will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Employee Retirement Plans (continued)

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

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

Year Ended June 30:	
2022	\$ (9,911)
2023	(4,588)
2024	(2,864)
2025	(2,497)
2026	(4,246)
Thereafter	(17,263)

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

Payable to pension plan. At June 30, 2021, the Town reported a payable of \$5,780 for the outstanding amount of contributions to the pension plan.

Other Retirement Plans:

In addition to the TCRS retirement plan, the Town's elected officials approved participation in the State of Tennessee's 401(k) and 457(b) Deferred Compensation Plans. The purpose of the 401(k) and 457(b) plans are to supplement the TCRS plan.

Effective January 1, 2016, employees of the Town of Decatur were eligible to participate in these two plans. Contributions to the plans are made through payroll deductions and are participant directed. The participant may choose how much to defer and how to direct contributions among a variety of investment options. The Town of Decatur does not make contributions to either of these plans on behalf of employees.

The 401(k) and 457(b) Deferred Compensation Plans are administered by the Tennessee Treasury Department and are outsourced to a separate company.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Detail of Net Position and Fund Balances

Net Position:

Net position reported on the government-wide Statement of Net Position include the following:

	Governmental Activities	Business-Type Activities	Total
Capital assets	\$ 3,026,557	\$ 20,349,630	\$ 23,376,187
Accumulated depreciation	(1,677,897)	(10,180,123)	(11,858,020)
Debt related to acquisition and construction of capital assets	-	(3,478,207)	(3,478,207)
Net investment in capital assets	1,348,660	6,691,300	8,039,960
Restricted	237,344	124,978	362,322
Unrestricted	1,435,494	5,319,759	6,755,253
Total net position	<u>\$ 3,021,498</u>	<u>\$ 12,136,037</u>	<u>\$ 15,157,535</u>

Fund Balances:

Fund balances reported on the fund financial statements include the following:

Nonspendable	
Capital Projects Fund - Inventory	\$ 20,000
Restricted	
General Fund - Police	110,248
State Street Aid Fund	72,461
Drug Fund	11,621
Total restricted fund balances	<u>194,330</u>
Assigned	
State Street Aid Fund	785
Drug Fund	198
Total assigned fund balances	<u>983</u>
Unassigned	
General Fund	1,416,321
Total fund balances	<u>\$ 1,631,634</u>

Note 8. Contingencies

The Town has received several federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditures disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

TOWN OF DECATUR, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Contingencies (continued)

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. Events that unfold as a part of the COVID-19 pandemic could materially impact the Town's net position, however, the ultimate impact, if any, cannot be reasonably estimated at this time.

Note 9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Town carries workers' compensation coverage, general liability and property insurance through the Tennessee Municipal League Public Entity Partners. For insured programs, there have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED
SUPPLEMENTAL INFORMATION**

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
EMPLOYEE RETIREMENT PLAN
June 30, 2021

	2014	2015	2016	2017	2018	2019	2020
TOTAL PENSION LIABILITY							
Service cost	\$ 48,190	\$ 46,615	\$ 52,021	\$ 50,603	\$ 59,438	\$ 61,481	\$ 59,989
Interest	33,386	36,500	46,796	54,137	60,692	68,284	70,717
Differences between expected and actual experience	(33,215)	58,810	10,465	(18,273)	(6,293)	(69,210)	(24,730)
Changes in assumptions	-	-	-	28,648	-	-	-
Benefit payments, including refunds of employee contributions	-	(10,522)	(9,583)	(10,391)	(6,905)	(15,423)	(35,589)
Net change in total pension liability	48,361	131,403	99,699	104,724	106,932	45,132	70,387
Total pension liability-beginning	396,955	445,316	576,719	676,418	781,142	888,074	933,206
Total pension liability-ending (a)	<u>\$ 445,316</u>	<u>\$ 576,719</u>	<u>\$ 676,418</u>	<u>\$ 781,142</u>	<u>\$ 888,074</u>	<u>\$ 933,206</u>	<u>\$1,003,593</u>
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 31,051	\$ 25,642	\$ 26,676	\$ 17,346	\$ 17,941	\$ 21,738	\$ 23,249
Contributions - employee	33,899	36,970	38,660	40,152	41,531	39,523	41,222
Net investment income	71,086	17,173	16,648	78,656	68,115	69,699	51,650
Benefit payments, including refunds of employee contributions	-	(10,522)	(9,583)	(10,391)	(6,905)	(15,423)	(35,589)
Administrative expense	(634)	(994)	(1,513)	(1,697)	(1,900)	(1,826)	(1,772)
Net change in plan fiduciary net position	135,402	68,269	70,888	124,066	118,782	113,711	78,760
Plan fiduciary net position-beginning	396,645	532,047	600,316	671,204	795,270	914,052	1,027,763
Plan fiduciary net position-ending (b)	<u>\$ 532,047</u>	<u>\$ 600,316</u>	<u>\$ 671,204</u>	<u>\$ 795,270</u>	<u>\$ 914,052</u>	<u>\$1,027,763</u>	<u>\$1,106,523</u>
Net pension liability (asset)-ending (a)-(b)	<u>\$ (86,731)</u>	<u>\$ (23,597)</u>	<u>\$ 5,214</u>	<u>\$ (14,128)</u>	<u>\$ (25,978)</u>	<u>\$ (94,557)</u>	<u>\$ (102,930)</u>
Plan fiduciary net position as a percentage of the total pension liability	119.48%	104.09%	99.23%	101.81%	102.93%	110.13%	110.26%
Covered payroll	\$ 677,973	\$ 743,241	\$ 773,208	\$ 803,050	\$ 830,615	\$ 790,462	\$ 824,432
Net pension liability (asset) as a percentage of covered payroll	(12.79)%	(3.17)%	0.67%	(1.76)%	(3.13)%	(11.96)%	(12.48)%

Notes to Schedule

Changes in assumptions: In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, salary growth, and mortality improvements.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**TOWN OF DECATUR, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
EMPLOYEE RETIREMENT PLAN
June 30, 2021**

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 31,051	\$ 25,642	\$ 26,676	\$ 17,346	\$ 17,941	\$ 21,738	\$ 23,249	\$ 22,964
Contributions in relation to the actuarially determined contribution	31,051	25,642	26,676	17,346	17,941	21,738	23,249	22,964
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 677,973	\$ 743,241	\$ 773,208	\$ 803,050	\$ 830,615	\$ 790,462	\$ 824,432	\$ 814,326
Contributions as a percentage of covered payroll	4.58%	3.45%	3.45%	2.16%	2.16%	2.75%	2.82%	2.82%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2021, were calculated based on the June 30, 2019, 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% corridor to market value
Inflation	2.50%
Salary increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return:	7.25%, net of investment expense, including inflation
Retirement age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement

Changes in 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 salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTAL INFORMATION

**TOWN OF DECATUR, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>State Street</u>	<u>Projects</u>	<u>Nonmajor</u>
		<u>Aid</u>	<u>Fund</u>	<u>Governmental</u>
				<u>Funds</u>
ASSETS				
Cash	\$ 11,819	\$ 73,246	\$ -	\$ 85,065
Inventory	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total assets	<u>\$ 11,819</u>	<u>\$ 73,246</u>	<u>\$ 20,000</u>	<u>\$ 105,065</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES				
Nonspendable	-	-	20,000	20,000
Restricted	11,621	72,461	-	84,082
Assigned	<u>198</u>	<u>785</u>	<u>-</u>	<u>983</u>
Total fund balances	<u>11,819</u>	<u>73,246</u>	<u>20,000</u>	<u>105,065</u>
Total liabilities and fund balances	<u>\$ 11,819</u>	<u>\$ 73,246</u>	<u>\$ 20,000</u>	<u>\$ 105,065</u>

TOWN OF DECATUR, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>State Street</u>	<u>Projects</u>	<u>Nonmajor</u>
		<u>Aid</u>	<u>Fund</u>	<u>Governmental</u>
				<u>Funds</u>
REVENUES				
State funds	\$ -	\$ 56,601	\$ -	\$ 56,601
Fines and forfeitures	8,312	-	-	8,312
Interest income	<u>42</u>	<u>104</u>	<u>-</u>	<u>146</u>
Total revenues	<u>8,354</u>	<u>56,705</u>	<u>-</u>	<u>65,059</u>
EXPENDITURES				
Highways and streets maintenance	-	104,706	-	104,706
Drug investigation	<u>18,440</u>	<u>-</u>	<u>-</u>	<u>18,440</u>
Total expenditures	<u>18,440</u>	<u>104,706</u>	<u>-</u>	<u>123,146</u>
REVENUES UNDER EXPENDITURES	(10,086)	(48,001)	-	(58,087)
FUND BALANCES, beginning of year	<u>21,905</u>	<u>121,247</u>	<u>20,000</u>	<u>163,152</u>
FUND BALANCES, end of year	<u>\$ 11,819</u>	<u>\$ 73,246</u>	<u>\$ 20,000</u>	<u>\$ 105,065</u>

TOWN OF DECATUR, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 3,500	\$ 3,500	\$ 8,312	\$ 4,812
Interest income	<u>50</u>	<u>50</u>	<u>42</u>	<u>(8)</u>
Total revenues	<u>3,550</u>	<u>3,550</u>	<u>8,354</u>	<u>4,804</u>
EXPENDITURES				
Drug investigation	<u>3,500</u>	<u>18,450</u>	<u>18,440</u>	<u>10</u>
Total expenditures	<u>3,500</u>	<u>18,450</u>	<u>18,440</u>	<u>10</u>
REVENUES OVER (UNDER) EXPENDITURES	50	(14,900)	(10,086)	4,814
FUND BALANCE, beginning of year	<u>21,905</u>	<u>21,905</u>	<u>21,905</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 21,955</u>	<u>\$ 7,005</u>	<u>\$ 11,819</u>	<u>\$ 4,814</u>

TOWN OF DECATUR, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
STATE STREET AID FUND
Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State funds	\$ 58,000	\$ 58,000	\$ 56,601	\$ (1,399)
Interest income	<u>200</u>	<u>200</u>	<u>104</u>	<u>(96)</u>
Total revenues	<u>58,200</u>	<u>58,200</u>	<u>56,705</u>	<u>(1,495)</u>
EXPENDITURES				
Highways and streets maintenance	56,800	103,800	102,900	900
Fuel	<u>1,400</u>	<u>1,810</u>	<u>1,806</u>	<u>4</u>
Total expenditures	<u>58,200</u>	<u>105,610</u>	<u>104,706</u>	<u>904</u>
REVENUES UNDER EXPENDITURES	-	(47,410)	(48,001)	(591)
FUND BALANCE, beginning of year	<u>121,247</u>	<u>121,247</u>	<u>121,247</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 121,247</u>	<u>\$ 73,837</u>	<u>\$ 73,246</u>	<u>\$ (591)</u>

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION BY DIVISION
WATER AND SEWER FUND
Year Ended June 30, 2021

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 1,531,074	\$ 571,947	\$ 2,103,021
Penalties	19,136	-	19,136
Miscellaneous	14,406	-	14,406
Total operating revenues	<u>1,564,616</u>	<u>571,947</u>	<u>2,136,563</u>
OPERATING EXPENSES			
Operations	746,319	217,862	964,181
Maintenance	116,123	52,614	168,737
Administration	32,264	23,772	56,036
Depreciation	344,633	179,034	523,667
Total operating expenses	<u>1,239,339</u>	<u>473,282</u>	<u>1,712,621</u>
Net operating income	<u>325,277</u>	<u>98,665</u>	<u>423,942</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	9,876	9,876	19,752
Interest expense	(64,337)	(19,869)	(84,206)
Bond premium amortization	6,255	-	6,255
Bond issuance costs	(10,000)	-	(10,000)
Insurance proceeds	2,250	-	2,250
Loss on disposal of assets	(5,098)	-	(5,098)
Net nonoperating expenses	<u>(61,054)</u>	<u>(9,993)</u>	<u>(71,047)</u>
Income before capital contributions	264,223	88,672	352,895
Capital contributions	50,956	362,993	413,949
Change in net position	<u>\$ 315,179</u>	<u>\$ 451,665</u>	<u>\$ 766,844</u>

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
WATER AND SEWER FUND
Year Ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING EXPENSES			
Operations:			
Salaries	\$ 415,611	\$ 91,284	\$ 506,895
Payroll taxes	28,386	5,922	34,308
Retirement	5,624	1,572	7,196
Employee benefits, insurance	60,439	15,135	75,574
Workers' compensation	1,572	275	1,847
Materials and supplies	24,304	32,249	56,553
Contractual services	37,393	6,875	44,268
Insurance	19,381	9,844	29,225
Utilities	73,095	49,934	123,029
Purchase of water	6,087	-	6,087
Miscellaneous	74,427	4,772	79,199
Total operations	<u>746,319</u>	<u>217,862</u>	<u>964,181</u>
Maintenance:			
Repair and maintenance of facilities	100,615	45,115	145,730
Vehicle maintenance	5,094	4,987	10,081
Gas, oil and diesel	10,414	2,512	12,926
Total maintenance	<u>116,123</u>	<u>52,614</u>	<u>168,737</u>
Administration:			
Computer services	11,521	10,124	21,645
Legal and accounting	11,851	10,850	22,701
Telephone and internet	5,768	979	6,747
Office supplies	3,124	1,819	4,943
Total administration	<u>32,264</u>	<u>23,772</u>	<u>56,036</u>
Depreciation	<u>344,633</u>	<u>179,034</u>	<u>523,667</u>
	<u>\$ 1,239,339</u>	<u>\$ 473,282</u>	<u>\$ 1,712,621</u>

FINANCIAL SCHEDULES

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2021

Fiscal Year Ending 6/30	1.19% State Revolving Loan			Water and Sewer Revenue Bonds		
	Series 2017					
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 43,032	\$ 5,364	\$ 48,396	\$ 115,000	\$ 56,000	\$ 171,000
2023	43,548	4,848	48,396	115,000	52,550	167,550
2024	44,064	4,332	48,396	120,000	49,100	169,100
2025	44,592	3,804	48,396	125,000	45,500	170,500
2026	45,132	3,264	48,396	125,000	41,750	166,750
2027	45,672	2,724	48,396	130,000	38,000	168,000
2028	46,212	2,184	48,396	135,000	34,100	169,100
2029	46,764	1,632	48,396	140,000	30,050	170,050
2030	47,328	1,068	48,396	145,000	25,850	170,850
2031	47,892	504	48,396	145,000	21,500	166,500
2032	13,394	24	13,418	150,000	17,150	167,150
2033	-	-	-	155,000	12,650	167,650
2034	-	-	-	125,000	8,000	133,000
2035	-	-	-	120,000	4,250	124,250
2036	-	-	-	20,000	650	20,650
TOTAL	\$ 467,630	\$ 29,748	\$ 497,378	\$ 1,865,000	\$ 437,100	\$ 2,302,100

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2021
(continued)

Fiscal Year Ending 6/30	Water and Sewer Revenue Bonds Series 2015			Water and Sewer Revenue and Tax Bond, Series 2017			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 10,375	\$ 13,745	\$ 24,120	\$ 9,348	\$ 7,332	\$ 16,680	\$ 177,755	\$ 82,441	\$ 260,196
2023	10,637	13,483	24,120	9,489	7,191	16,680	178,674	78,072	256,746
2024	10,906	13,214	24,120	9,632	7,048	16,680	184,602	73,694	258,296
2025	11,182	12,938	24,120	9,778	6,902	16,680	190,552	69,144	259,696
2026	11,465	12,655	24,120	9,926	6,754	16,680	191,523	64,423	255,946
2027	11,755	12,365	24,120	10,075	6,605	16,680	197,502	59,694	257,196
2028	12,052	12,068	24,120	10,228	6,452	16,680	203,492	54,804	258,296
2029	12,357	11,763	24,120	10,382	6,298	16,680	209,503	49,743	259,246
2030	12,669	11,451	24,120	10,539	6,141	16,680	215,536	44,510	260,046
2031	12,989	11,131	24,120	10,698	5,982	16,680	216,579	39,117	255,696
2032	13,318	10,802	24,120	10,860	5,820	16,680	187,572	33,796	221,368
2033	13,655	10,465	24,120	11,024	5,656	16,680	179,679	28,771	208,450
2034	14,000	10,120	24,120	11,190	5,490	16,680	150,190	23,610	173,800
2035	14,354	9,766	24,120	11,359	5,321	16,680	145,713	19,337	165,050
2036	14,717	9,403	24,120	11,531	5,149	16,680	46,248	15,202	61,450
2037	15,089	9,031	24,120	11,705	4,975	16,680	26,794	14,006	40,800
2038	15,471	8,649	24,120	11,882	4,798	16,680	27,353	13,447	40,800
2039	15,862	8,258	24,120	12,061	4,619	16,680	27,923	12,877	40,800
2040	16,263	7,857	24,120	12,243	4,437	16,680	28,506	12,294	40,800
2041	16,674	7,446	24,120	12,428	4,252	16,680	29,102	11,698	40,800
2042	17,096	7,024	24,120	12,616	4,064	16,680	29,712	11,088	40,800
2043	17,529	6,591	24,120	12,807	3,873	16,680	30,336	10,464	40,800
2044	17,972	6,148	24,120	13,000	3,680	16,680	30,972	9,828	40,800
2045	18,426	5,694	24,120	13,196	3,484	16,680	31,622	9,178	40,800
2046	18,892	5,228	24,120	13,396	3,284	16,680	32,288	8,512	40,800
2047	19,370	4,750	24,120	13,598	3,082	16,680	32,968	7,832	40,800
2048	19,860	4,260	24,120	13,803	2,877	16,680	33,663	7,137	40,800
2049	20,362	3,758	24,120	14,012	2,668	16,680	34,374	6,426	40,800
2050	20,877	3,243	24,120	14,223	2,457	16,680	35,100	5,700	40,800
2051	21,405	2,715	24,120	14,438	2,242	16,680	35,843	4,957	40,800
2052	21,946	2,174	24,120	14,656	2,024	16,680	36,602	4,198	40,800
2053	22,501	1,619	24,120	14,878	1,802	16,680	37,379	3,421	40,800
2054	23,070	1,050	24,120	15,102	1,578	16,680	38,172	2,628	40,800
2055	23,654	466	24,120	15,330	1,350	16,680	38,984	1,816	40,800
2056	5,271	8	5,279	15,562	1,118	16,680	20,833	1,126	21,959
2057	-	-	-	15,797	883	16,680	15,797	883	16,680
2058	-	-	-	16,036	644	16,680	16,036	644	16,680
2059	-	-	-	16,278	402	16,680	16,278	402	16,680
2060	-	-	-	16,524	156	16,680	16,524	156	16,680
2061	-	-	-	1,435	22	1,457	1,435	22	1,457
TOTAL	\$ 554,021	\$ 271,338	\$ 825,359	\$ 493,065	\$ 158,912	\$ 651,977	\$ 3,379,716	\$ 897,098	\$ 4,276,814

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2021

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7/1/2020</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6/30/2021</u>
Water & Sewer Revenue Bonds, Series 2017	\$ 2,265,000	3.00%	10/6/2017	6/1/2036	\$ 1,975,000	\$ -	\$ 110,000	\$ 1,865,000
State Revolving Loan	861,051	1.19	6/27/2007	9/20/2031	510,146	-	42,516	467,630
Water & Sewer Revenue Bonds, Series 2015	600,000	2.50	11/15/2015	8/1/2055	564,153	-	10,132	554,021
Water & Sewer Revenue and Tax Bond, Series 2017	500,000	1.50	9/23/2020	9/23/2060	-	500,000	6,935	493,065
Total long-term debt					\$ 3,049,299	\$ 500,000	\$ 169,583	\$ 3,379,716

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF CHANGES IN
PROPERTY TAXES RECEIVABLE
June 30, 2021

	<u>Total</u>	<u>2021 Assessment</u>	<u>2020 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2020	\$ 126,857	\$ -	\$ 120,130	\$ 6,727
Add:				
Taxes assessed	124,416	124,416	-	-
Adjustments, net	<u>2,878</u>	<u>-</u>	<u>401</u>	<u>2,477</u>
	<u>127,294</u>	<u>124,416</u>	<u>401</u>	<u>2,477</u>
Deduct:				
Collections	<u>124,652</u>	<u>-</u>	<u>117,493</u>	<u>7,159</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2021	<u>\$ 129,499</u>	<u>\$ 124,416</u>	<u>\$ 3,038</u>	<u>\$ 2,045</u>

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF UTILITY RATES
June 30, 2021

	Water		Sewer	
<u>Residential - Inside Corporate Limits</u>				
0 - 2,000 gallons	\$ 19.38	minimum bill	\$ 17.34	minimum bill
Over 2,000 gallons	5.43	per 1,000 gallons	6.20	per 1,000 gallons
<u>Residential - Inside Corporate Limits</u> <u>Without Sewer</u>				
0 - 2,000 gallons	19.38	minimum bill		N/A
Over 2,000 gallons	6.08	per 1,000 gallons		N/A
<u>Residential - Outside Corporate Limits</u>				
0 - 2,000 gallons	22.44	minimum bill	21.42	minimum bill
Over 2,000 gallons	6.82	per 1,000 gallons	6.84	per 1,000 gallons
<u>Commercial - Inside Corporate Limits</u>				
0 - 2,000 gallons	21.42	minimum bill	19.38	minimum bill
Over 2,000 gallons	6.82	per 1,000 gallons		N/A
2,000 - 25,000 gallons		N/A	6.29	per 1,000 gallons
Over 25,000 gallons		N/A	6.20	per 1,000 gallons
<u>Commercial - Outside Corporate Limits</u>				
0 - 2,000 gallons	26.52	minimum bill	26.52	minimum bill
Over 2,000 gallons	7.62	per 1,000 gallons		N/A
2,000 - 25,000 gallons		N/A	8.68	per 1,000 gallons
25,000 - 50,000 gallons		N/A	6.52	per 1,000 gallons
Over 50,000 gallons		N/A	6.20	per 1,000 gallons
<u>2 Inch Meter - Inside Corporate Limits</u>				
0 - 9,000 gallons	72.42	minimum bill	52.02	minimum bill
Over 9,000 gallons	6.82	per 1,000 gallons		N/A
9,000 - 25,000 gallons		N/A	5.51	per 1,000 gallons
Over 25,000 gallons		N/A	5.42	per 1,000 gallons
<u>2 Inch Meter - Outside Corporate Limits</u>				
0 - 9,000 gallons	72.42	minimum bill	52.02	minimum bill
Over 9,000 gallons	7.62	per 1,000 gallons		N/A
9,000 - 25,000 gallons		N/A	5.51	per 1,000 gallons
Over 25,000 gallons		N/A	5.42	per 1,000 gallons
<u>1 inch & 1 1/2 inch meter</u>				
0 - 2,000 gallons	41.82	minimum bill		N/A
Over 2,000 gallons	6.82	per 1,000 gallons		N/A
<u>Low Use Industrial (Less than 250,000 per month average)</u>				
0 - 150,000 gallons	856.80	minimum bill	5.42	per 1,000 gallons
Over 150,000 gallons	5.88	per 1,000 gallons	5.42	per 1,000 gallons
<u>Industrial (Between 250,000-500,000 per month average)</u>				
0 - 250,000 gallons	856.80	minimum bill	5.42	per 1,000 gallons
Over 250,000 gallons	5.88	per 1,000 gallons	5.42	per 1,000 gallons
<u>High Use Industrial (more than 500,000 per month average)</u>				
0 - 250,000 gallons	839.66	minimum bill	5.31	per 1,000 gallons
Over 250,000 gallons	5.76	per 1,000 gallons	5.31	per 1,000 gallons
<u>Residential East of Blowoff at AUB Connection</u>				
0 - 2,000 gallons	26.44	minimum bill		N/A
Over 2,000 gallons	8.82	per 1,000 gallons		N/A

Sewer charges are based on the amount of water purchased from the Town.

At June 30, 2021, there were approximately 2,491 water customers and 548 sewer customers.

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2020	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2021
FEDERAL AWARDS						
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through TN Department of Safety and Homeland Security:						
2020 High Visibility Enforcement	20.607	Z-20-THS069	\$ 817	\$ 3,685	\$ 2,868	\$ -
2021 High Visibility Enforcement	20.607	Z-21-THS080	-	242	1,282	1,040
			<u>817</u>	<u>3,927</u>	<u>4,150</u>	<u>1,040</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT						
Passed through TN Department of Economic and Community Development:						
Sewer System Improvements	14.228	33004-92918	<u>63,553</u>	<u>426,546</u>	<u>362,993</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE						
Passed through TN Department of Finance and Administration:						
COVID-19 Local Government Law Enforcement Competitive COVID Response	16.034	N/A	<u>-</u>	<u>-</u>	<u>9,613</u>	<u>9,613</u>
U.S. DEPARTMENT OF TREASURY						
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>-</u>	<u>24,705</u>	<u>24,705</u>	<u>-</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES						
Passed through Tennessee Arts Commission:						
Rural Arts Project Supports	45.025	31625-10954	<u>-</u>	<u>-</u>	<u>6,068</u>	<u>6,068</u>
U.S. DEPARTMENT OF AGRICULTURE						
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>170,817</u>	<u>198,632</u>	<u>44,536</u>	<u>16,721</u>

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2020	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2021
STATE AWARDS						
STATE OF TENNESSEE						
Tennessee Department of Finance and Administration State Direct Appropriation Grant FY2020	N/A	N/A	\$ -	\$ 66,347	\$ 66,347	\$ -
TN Department of Transportation - Multimodal Access Grant	N/A	61LPLN-S3-008	33,294	7,857	3,168	28,605
Tennessee Arts Commission - Thriving Communities Partnership	N/A	G-2009-11781	-	-	10,000	10,000
Tennessee Arts Commission - Commission Initiative	N/A	RG-2003-11113	5,000	5,000	-	-
Total State Awards			<u>38,294</u>	<u>79,204</u>	<u>79,515</u>	<u>38,605</u>
Total Awards			<u>\$ 272,664</u>	<u>\$ 704,382</u>	<u>\$ 487,044</u>	<u>\$ 55,326</u>

Note 1: The Town of Decatur, Tennessee received federal awards which were below the level requiring the Town to have a "Single Audit" in accordance with the Uniform Guidance for the year ended June 30, 2021. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town of Decatur, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2: The Town of Decatur, Tennessee has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2021

<u>Name</u>	<u>Office</u>	<u>Amount of Bond</u>
Jeremy Bivens	Mayor	\$ 175,000
Laura Smith	City Recorder/Treasurer/CMFO Designee	175,000

TOWN OF DECATUR, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2021

Jeremy Bivens	Mayor
Ray Melton	Vice-Mayor (and Alderman)
John Myers	Alderman
Becky Haney	Alderman
Wayne Irwin	Alderman
P.J. Hackney	Alderman
Michael Bredwell	Alderman
Monty Rowland	Police Chief
Jerry Harris	Public Works Director
Eddie Jewell	Fire Chief
Laura Smith	City Recorder (CMFO Designee)

TOWN OF DECATER, TENNESSEE SCHEDULE OF WATER LOSS

June 30, 2021



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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- ? Click to access definition
+ Click to add a comment

Water Audit Report for: **Decatur (0000183)**
Reporting Year: **2021** **7/2020 - 6/2021**

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**

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 it.

WATER SUPPLIED

← Enter grading in column 'E' and 'J' →

Volume from own sources: + ? 9 239.242 MG/Yr Water imported: + ? 9 0.243 MG/Yr Water exported: + ? n/a 0.000 MG/Yr	Master Meter and Supply Error Adjustments Pcnt: Value: 3 1.00% 1.00 MG/Yr 4 1.00% 1.00 MG/Yr n/a 1.00% 1.00 MG/Yr
--	--

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

WATER SUPPLIED: 237.114 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? 7 180.941 MG/Yr
 Billed unmetered: + ? 6 0.000 MG/Yr
 Unbilled metered: + ? 10 0.642 MG/Yr
 Unbilled unmetered: + ? 10 2.964 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 184.547 MG/Yr

Click here: ? for help using option buttons below
 Pcnt: Value:
 1.25% 1.000 MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

52.567 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 10 0.593 MG/Yr

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

Customer metering inaccuracies: + ? 7 7.566 MG/Yr
 Systematic data handling errors: + ? 8 0.452 MG/Yr

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

Apparent Losses: 8.611 MG/Yr

Pcnt: Value:
 0.25% 1.000 MG/Yr

4.00% 1.000 MG/Yr
 0.25% 1.000 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 43.956 MG/Yr

WATER LOSSES: 52.567 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 56.173 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 5 177.0 miles
 Number of active AND inactive service connections: + ? 10 2,725
 Service connection density: 15 conn./mile main

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

Average length of customer service line: + ? (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: + ? 3 70.0 psi

COST DATA

Total annual cost of operating water system: + ? 10 \$904,802 \$/Year
 Customer retail unit cost (applied to Apparent Losses): + ? 10 \$14.73 \$/1000 gallons (US)
 Variable production cost (applied to Real Losses): + ? 10 \$341.49 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 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: Billed metered
- 3: Unauthorized consumption

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF WATER LOSS
June 30, 2021
(continued)

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:
 Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="8.611"/>	MG/Yr
+ Real Losses:	<input type="text" value="43.956"/>	MG/Yr
= Water Losses:	<input type="text" value="52.567"/>	MG/Yr

? Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:

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:
 Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
 Real Losses per service connection per day: gallons/connection/day
 Real Losses per length of main per day*: gallons/mile/day
 Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 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

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF PROPERTY TAX RATES AND ASSESSED VALUE -
LAST TEN YEARS
June 30, 2021
(Unaudited)

<u>Tax Year</u>	<u>Rate Per \$100</u>	<u>Assessed Value</u>
2020	\$ 0.34	\$ 27,789,822
2019	0.34	26,971,733
2018	0.34	26,895,938
2017	0.34	26,516,351
2016	0.34	26,155,387
2015	0.39	22,463,024
2014	0.39	22,035,447
2013	0.39	21,903,847
2012	0.39	22,226,892
2011	0.39	21,854,242

TOWN OF DECATUR, TENNESSEE
PROPERTY TAX RATES, ASSESSMENTS, AND COLLECTIONS - LAST TEN YEARS
June 30, 2021
(Unaudited)

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Assessment</u>	<u>Cumulative Property Tax Adjustments</u>	<u>Adjusted Tax Assessment</u>	<u>Tax Collections During Current Year</u>	<u>Cumulative Write-off of Delinquent Taxes Due to Property Sales</u>	<u>Cumulative Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>
2020	\$ 0.34	\$ 124,416	\$ (3,885)	\$ 120,531	\$ 117,493	\$ -	\$ 117,493	\$ 3,038
2019	0.34	120,130	(3,963)	116,167	4,995	-	115,473	694
2018	0.34	119,122	1,844	120,966	1,579	-	120,290	676
2017	0.34	120,611	(2,939)	117,672	257	-	117,527	145
2016	0.34	118,861	(349)	118,512	7	-	118,367	145
2015	0.39	117,630	3,367	120,997	16	-	120,883	114
2014	0.39	114,106	(4,362)	109,744	107	-	109,724	20
2013	0.39	117,999	(7,132)	110,867	107	-	110,846	21
2012	0.39	114,720	5,862	120,582	91	-	120,461	121
2011	0.39	110,528	2,482	113,010	-	-	112,901	109

Note: All delinquent taxes have been submitted to the City Attorney to pursue collection through the County.

Source: Official records of Recorder's office

Report of Independent Certified Public Accountants on Internal
Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards

Suite 1440 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1440
Telephone (423) 267-4400
Facsimile (423) 266-2444

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

To the Mayor and Board of Aldermen
Town of Decatur
Decatur, 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 Decatur, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Decatur, Tennessee's basic financial statements, and have issued our report thereon dated February 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Decatur, Tennessee's internal control over financial reporting (internal control) as a basis for designing the 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 of Decatur, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Decatur, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2021-00, 2021-002, and 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Decatur, Tennessee's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Town of Decatur, Tennessee's Responses to Findings

The Town of Decatur, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Decatur, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Neal, Scouter, & McConnell, P.C.

Chattanooga, Tennessee
February 11, 2022

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

FINANCIAL STATEMENT FINDINGS

Questioned
Costs

2021-001 – Inadequate Controls over Preparation of Financial Statements

Condition: The Town currently does not prepare financial statements under generally accepted accounting principles. The external auditors prepare the statements and disclosures and management approves and takes responsibility for the statements after they are prepared.

Criteria: Accounting standards dictate that management is responsible for preparation of the financial statements. An audit of the financial statements of an organization requires the evaluation of the internal control system's design of controls in generating and overseeing of the financial statements to be audited. The organization must have the ability to prepare and evaluate the financial statements' format, content, and disclosures in accordance with generally accepted accounting principles and recognize any material items missing in the statements through the organization's control system. This is true whether the organization prepares the financial statements or not. These controls can be established or achieved by use of a third party organization or internally, but external auditors are never considered a control element.

Cause: The Town believes the current reporting meets all of the Town's internal needs. While management knows their responsibility for understanding and presenting the annual financial statements, they do not believe it is currently cost beneficial to design and/or strengthen controls over the accounting department's financial reporting process.

Effect: The Town does not have proper controls over financial statements preparation.

Recommendation: We recommend the Town continue to monitor the need, costs and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

\$ - 0 -

Management Response:

We do not currently have the expertise in-house to prepare the financial statements and do not believe that it would be practical for us to take on the expense of hiring an outside CPA to complete it at this time.

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021
(continued)

Questioned
Costs

2021-002 – Controls over Closing Year-end and Recording Prior Year Adjusting

Journal Entries

Condition: The Town did not close their books properly at the initial time of audit fieldwork and did not record prior year adjusting journal entries.

Criteria: Accounting standards dictate that management is responsible for closing the books timely, and recording adjusting journal entries to reflect the correct account balances.

Cause: The Town inadvertently adjusted their books in a manner that recorded prior period amounts to the current year account balances. This was discovered at the beginning of the initial audit fieldwork.

Effect: Several account balances were incorrect at year-end due to improper adjustments, which caused delays in commencing audit fieldwork. In addition, several account balances were incorrect all year because prior year adjustments were not recorded timely.

Recommendation: We recommend the Town improve controls over closing the books at year-end and recording prior year adjusting journal entries in a timely manner.

\$ - 0 -

Management Response:

In an attempt to correct some account balances, an error was made during year end of the year closing, which incorrectly altered some account balances. The error was found and was able to be reversed by our financial software company, but caused a delay in having the financials ready for the auditors when they arrived to work. This mistake will not be repeated and a software upgrade will further help in not having this trouble again.

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021
(continued)

Questioned
Costs

2021-003 – Controls over Cash and Certificates of Deposit

Condition: The Town reconciled cash accounts from two different banks on one bank reconciliation. Each bank account should be reconciled individually. In addition, the certificates of deposits detail records did not provide an audit trail in order for the activity to be reconciled to the general ledger accounts. This condition existed in the General Fund and Water and Sewer Fund.

Criteria: Bank account reconciliations should be reconciled by individual checking accounts in accordance with accounting standards. The reconciliation of certificates of deposit should be organized in a manner to provide an audit trail and reconciliation should agree to the general ledger account balances.

Cause: The Town is in the process of moving funds from their previous banking relationship to another bank, and they did not establish separate general ledger accounts for the new bank account. This resulted in reconciling two different bank accounts on one bank reconciliation. The Town should have separate cash accounts on the general ledger for each bank account. The bank reconciliations should be performed for each separate bank account.

Effect: The cash accounts and the certificates of deposit accounts are not properly reconciled to the account balances on the general ledger.

Recommendation: We recommend the Town improve controls over recording, tracking, and reconciling cash and certificates of deposit. This should include recording and tracking accounts on the general ledger, recording interest on the certificates of deposit and reconciling each cash account and the certificates of deposit monthly.

\$ - 0 -

Management Response:

The Town will finish the bank conversions and have one bank account per fund by the end of FY22, removing the problem of reconciling two bank accounts to one fund. Additionally, certificates of deposit records will be simplified and prepared in a way to make the audit trail more clear.

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2021

FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

Questioned
Costs

2020-001 – Inadequate Controls over Preparation of Financial Statements

An audit of the financial statements of an organization requires the evaluation of the internal control system design of controls in generating and oversight of the financial statements to be audited. The organization must have the ability to prepare and evaluate the financial statements' format, content, and disclosures in accordance with generally accepted accounting principles and recognize any material items missing in the statements through the organization's control system. This is true whether the organization prepares the financial statements or not. We do not believe the Town has such systems and procedures in place. These controls can be established or achieved by use of a third party organization or internally, but external auditors are never considered a control element.

The Town currently does not prepare financial statements under generally accepted accounting principles. The external auditors prepare the statements and disclosures and management approves and takes responsibility for the statements after they are prepared.

We recommend the Town consider the need, costs, and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

\$ - 0 -

Management Response:

We do not currently have the expertise in-house to prepare the financial statements and do not believe that it would be practical for us to take on the expense of hiring an outside CPA to complete it at this time.

Status:

See 2021-001 on the schedule of findings and questioned costs for June 30, 2021.

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2021
(continued)

Questioned
Costs

2020-002 – Compliance with State Budgetary Requirements

Fund expenditures exceeded budgeted expenditures for the State Street Aid Fund by \$277 for the year ended June 30, 2020. The State of Tennessee requires all expenditures of governmental funds to be appropriated. Expenditures incurred during this period were not properly budgeted.

Non-budgeted expenditures result in noncompliance with State law.

\$ - 0 -

Management Response:

This was a mistake made by the Recorder in preparing budget amendments. The amendments should have increased the budget to cover expenses, but the miscalculation left the budget too low.

Status:

This finding was resolved for fiscal year June 30, 2021.

(continued)

TOWN OF DECATUR, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021
(continued)

PRIOR YEAR FINANCIAL STATEMENT FINDINGS (GRID)

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2020-001	Controls over Preparation of Financial Statements (Original Finding #2012-001)	Repeated – 2021-001
2020-002	Compliance with State Budgetary Requirements (Original Finding #2020-002)	Corrected



Town of Decatur Management's Corrective Action Plan

The Town of Decatur respectfully submits the following corrective action plan for the year ended 6/30/2021.

Name and address of independent public accounting firm: Neal, Scouten & McConnell, P.C., Suite 1440
Republic Centre, 633 Chestnut Street, Chattanooga, TN 37450-1440.

Audit Period: July 1, 2020 – June 30, 2021

Contact person responsible for corrective action: Laura Smith

Material Weakness:

2021-001 – Inadequate Controls over Preparation of Financial Statements

The Town currently does not prepare financial statements under generally accepted accounting principles. The external auditors prepare the statements and disclosures and management approves and takes responsibility for the statements after they are prepared.

Management Response:

We do not currently have the expertise in-house to prepare the financial statements and do not believe that it would be practical for us to take on the expense of hiring an outside CPA to complete it at this time.

Significant Deficiencies:

2021-002 – Controls over Closing Year-end and Recording Prior Year Adjusting Journal Entries

The Town did not close their books properly at the initial time of audit fieldwork and did not record prior year adjusting journal entries.

Management Response:

In an attempt to correct some account balances, an error was made during end of year closing, which incorrectly altered some account balances. The error was found and was able to be reversed by our financial software company, but caused a delay in having the financials ready for the auditors when they arrived to work. This mistake will not be repeated and a software upgrade will further help in not having this trouble again.

Anticipated completion date: Immediate.

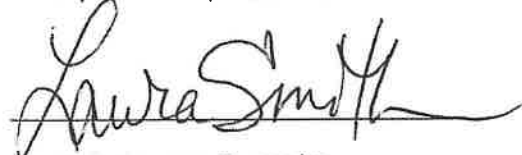
2021-003 – Controls over Closing Year-end and Recording Prior Year Adjusting Journal Entries

The Town reconciled cash accounts from two different banks on one bank reconciliation. Each bank account should be reconciled individually. In addition, the certificates of deposits detail records did not provide an audit trail in order for the activity to be reconciled to the general ledger accounts. This condition existed in the General Fund and the Water and Sewer Fund.

Management Response:

The Town will finish the bank conversions and have one bank account per fund by the end of FY22, removing the problem of reconciling two bank accounts to one fund. Additionally, certificates of deposit records will be simplified and prepared in a way to make the audit trail more clear.

Anticipated completion date: Immediate.

A handwritten signature in black ink that reads "Laura Smith". The signature is fluid and cursive, with the first name "Laura" and last name "Smith" clearly distinguishable.

Laura Smith, City Recorder