

**CITY OF DUCKTOWN, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

**CITY OF DUCKTOWN, TENNESSEE
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2022**

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INTRODUCTORY SECTION

City of Ducktown, Tennessee
Schedule of Elected and Appointed Officials
June 30, 2022

Elected Officials

Douglas Collins

Mayor

Mike Worley

Commissioner

James Talley

Commissioner

Appointed Officials

Sheryl Miller, CMFO

City Recorder

FINANCIAL SECTION

The MG Group, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Board of Commissioners
City of Ducktown, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the City of Ducktown, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Ducktown, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Ducktown, Tennessee as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the general fund and state street aid fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing*

515 NW Atlantic Street, Tullahoma, Tennessee 37388

Phone (931) 393-3307

Fax (931) 563-5585

Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023 on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

MG Group, P.C.

Tullahoma, Tennessee

January 23, 2023

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

As management of the City of Ducktown (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Financial Highlights:

- The assets of the City of Ducktown exceeded its liabilities at the close of the most recent year by \$4,662,327. Of this amount, \$2,608,530 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, fund balance for the General Fund was \$2,614,777.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,662,475.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Ducktown's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Ducktown include general government, public safety, public works, and culture and recreation.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ducktown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be classified as governmental funds.

Governmental Funds – Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may be better able to understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for both funds.

The City adopts an annual appropriated budget for its General Fund and State Street Aid Fund. The City's Charter necessitates re-appropriations of the budget only when the entire fund expenditures are expected to exceed budgeted amounts. A budgetary comparison statement has been provided for the General Fund and State Street Aid Fund to demonstrate compliance with the appropriation.

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.

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ducktown, assets exceeded liabilities by \$4,662,327 at the close of this fiscal year, compared to \$4,795,199 in the prior year.

The second largest portion of the City's net position (42%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Ducktown, Tennessee's net position (2%) represents the resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Ducktown, Tennessee is able to report positive balances in all categories of net position.

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

City of Ducktown, Tennessee Net Position

	2022	2021	Change
Current and other assets	\$ 2,918,560	\$ 2,503,660	\$ 414,900
Capital assets	2,263,171	2,752,087	(488,916)
Total Assets	<u>5,181,731</u>	<u>5,255,747</u>	<u>(74,016)</u>
Deferred outflows of resources	<u>93,664</u>	<u>40,573</u>	<u>53,091</u>
Current liabilities	157,428	11,483	145,945
Long-term liabilities	273,000	357,747	(84,747)
Total Liabilities	<u>430,428</u>	<u>369,230</u>	<u>61,198</u>
Deferred inflows of resources	<u>182,640</u>	<u>131,891</u>	<u>50,749</u>
Net position:			
Investment in capital assets	1,949,171	2,397,368	(448,197)
Restricted	104,626	65,889	-
Unrestricted	2,608,530	2,331,942	276,588
Total Net Position	<u>\$4,662,327</u>	<u>\$4,795,199</u>	<u>\$ (132,872)</u>

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

City of Ducktown, Tennessee Changes in Net Position

	Governmental Activities		Change
	2022	2021	
Program Revenues			
Charges for services	\$ -	\$ 19,229	\$ (19,229)
Operating grants and contributions	16,147	17,351	(1,204)
Capital grants and contributions	20,109	699,555	(679,446)
General Revenues			
Taxes	415,984	341,204	74,780
Leases	5,500	68,116	(62,616)
Other revenues	74,585	10,950	63,635
Gain on sale of assets	154,761	208,607	(53,846)
Total Revenues	687,086	1,365,012	(677,926)
Expenses			
General government	311,509	791,316	(479,807)
Public safety	1,993	26,857	(24,864)
Public works	45,506	46,042	(536)
Culture and recreation	22,133	31,889	(9,756)
Debt service	50,903	5,745	45,158
Total Expenses	432,044	901,849	(469,805)
Change in net position	255,042	463,163	(208,121)
Net position, beginning, as restated	4,407,285	4,332,036	75,249
Net position, ending	\$ 4,662,327	\$ 4,795,199	\$ (132,872)

Changes in net position. Governmental activities increased the City's net position by \$255,042.

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Significant variances in Governmental Activities revenues and expenditures from that of the prior year were as follows:

- The tax revenues increased by approximately \$74,780.
- The overall expenditures decreased by approximately \$469,805.
- The general government expenditures decreased by approximately \$479,807.

Financial Analysis of the Governmental Funds

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

Governmental Activities

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,662,475, an increase of \$303,905 in comparison with the prior year. Approximately \$1,974,084 (74%) of this balance is unassigned. This amount is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned for specific purposes. At June 30, 2022, fund balance of \$47,698 was restricted for the State Street Aid Fund.

The general fund is the chief operating fund of the City. At the end of this fiscal year, unassigned fund balance is \$1,974,084. 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 approximately 648% of total general fund expenditures.

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Capital Assets

The City of Ducktown's investment in capital assets from its governmental activities at June 30, 2022, was \$2,263,171 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvement, machinery and equipment, park facilities, roads, highways, bridges.

City of Ducktown, Tennessee Capital Assets

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Capital Assets			
Land	\$ 225,735	\$ 225,735	\$ -
Equipment and fixtures	261,024	261,024	-
Buildings and improvements	1,418,247	1,476,078	(57,831)
Infrastructure	922,527	922,527	-
Solar Farm	147,266	147,266	-
Less: accumulated depreciation	<u>(711,628)</u>	<u>(668,457)</u>	<u>43,171</u>
Totals	<u>\$2,263,171</u>	<u>\$2,364,173</u>	<u>\$ (14,660)</u>

Additional information on the City of Ducktown's capital assets can be found in the notes to the financial statements section of this report.

**CITY OF DUCKTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Long-term Debt

At the end of the current year, the City of Ducktown had debt outstanding of \$314,000. This is a decrease of \$40,000 from the prior year. Of this amount, \$41,000 is due in the next fiscal year.

Additional information on the City of Ducktown's debt can be found in the notes to the financial statements section of this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Ducktown, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sheryl Miller, CMFO, P.O. Box 506, Ducktown, Tennessee 37326.

Basic Financial Statements

City of Ducktown, Tennessee
Statement of Net Position
June 30, 2022

	<u>Primary Government</u> Governmental Activities
ASSETS	
Cash	\$ 825,962
Certificates of deposit	10,769
Investment	1,245,175
Receivables	
Property taxes, net	125,223
Other Governments	6,959
Other	6,851
Prepaid items	5,469
Due from revolving loan	389,857
Restricted asset - cash	245,367
Net pension asset	56,928
Capital assets, not being depreciated	225,735
Capital assets, being depreciated, net	2,037,436
Total assets	5,181,731
DEFERRED OUTFLOWS OF RESOURCES	
Related to leases	35,813
Related to pension	57,851
Total deferred outflows of resources	93,664
LIABILITIES	
Accounts payable	4,567
Leases Payable	35,897
Unearned revenues	69,283
Accrued interest payable	5,641
Noncurrent liabilities:	
Compensated absences	1,040
Due within one year	41,000
Due in more than one year	273,000
Total liabilities	430,428
DEFERRED INFLOWS OF RESOURCES	
Assessed & unlevied property taxes	115,250
Related to pensions	67,390
Total deferred inflows of resources	182,640
NET POSITION	
Net investment in capital assets	1,949,171
Restricted for:	
Net pension asset	56,928
State Street Aid	47,698
Unrestricted	2,608,530
Total net position	\$ 4,662,327

See notes to the financial statements

City of Ducktown, Tennessee
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 311,509	\$ -	\$ -	\$ 20,109	\$ (291,400)
Public safety	1,993	-	-	-	(1,993)
Public works	45,506	-	16,147	-	(29,359)
Culture and recreation	22,133	-	-	-	(22,133)
Debt service	50,903	-	-	-	(50,903)
Total Governmental Activities	432,044	-	16,147	20,109	(395,788)
General revenues:					
Property taxes					109,978
Local option sales tax					172,658
Alcohol beverage taxes					69,257
Leases					5,500
Intergovernmental					64,091
Other revenues					56,311
Solar farm					18,274
Gain on sale of assets					154,761
Total general revenues					650,830
					Change in net position 255,042
					Net position - beginning 4,795,199
					Restatement - see notes to financials (387,914)
					Net position - ending \$ 4,662,327

See notes to the financial statements

City of Ducktown, Tennessee
Balance Sheet
Governmental Funds
June 30, 2022

	General	Street Aid	Total Governmental Funds
ASSETS			
Cash	\$ 779,680	\$ 46,282	\$ 825,962
Certificates of deposit	10,769	-	10,769
Investment	1,245,175	-	1,245,175
Receivables			
Property taxes, net	125,223	-	125,223
Other	6,851	-	6,851
Due from other governments	5,543	1,416	6,959
Due from revolving loan	389,857	-	389,857
Prepaid items	5,469	-	5,469
Restricted asset - cash	245,367	-	245,367
Total assets	\$ 2,813,934	\$ 47,698	\$ 2,861,632
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to leases	35,813	-	35,813
Total deferred inflows of resources	35,813	-	35,813
LIABILITIES			
Accounts payable	\$ 4,567	\$ -	\$ 4,567
Leases payable	35,897	-	35,897
Unearned revenues	69,283	-	69,283
Total liabilities	109,747	-	109,747
DEFERRED INFLOWS OF RESOURCES			
Assessed & unlevied property taxes	125,223	-	125,223
Total deferred inflows of resources	125,223	-	125,223
FUND BALANCES			
Nonspendable	5,469	-	5,469
Restricted	635,224	47,698	682,922
Unassigned	1,974,084	-	1,974,084
Total fund balances	2,614,777	47,698	2,662,475
Total liabilities, deferred inflows of resources and fund balances	\$ 2,849,747	\$ 47,698	\$ 2,897,445

See notes to the financial statements

City of Ducktown, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - balance sheet - governmental funds	\$	2,662,475
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, not being depreciated	\$ 225,735	
Capital assets, being depreciated, net	<u>2,037,436</u>	2,263,171
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued interest payable	(5,641)	
Accrued vacation leave	(1,040)	
Due within one year	(41,000)	
Due in more than one year	<u>(273,000)</u>	(320,681)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Deferred outflows of resources related to pensions	57,851	
Deferred inflows of resources related to pensions	<u>(67,390)</u>	(9,539)
(4) Net pension assets of the city agent plan are not current financial uses and are therefore not reported in the governmental funds	56,928	56,928
(5) Other long-term liabilities that are not available for the current period revenues and, therefore, are either deferred or not reported in the fund.	9,973	9,973
Net position of governmental activities	\$	<u><u>4,662,327</u></u>

See notes to the financial statements

City of Ducktown, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Street Aid	Total Governmental Funds
Revenues			
Local taxes	\$ 241,915	\$ -	\$ 241,915
Property taxes	100,005	-	100,005
Licenses and permits	11,983	-	11,983
State grants	20,109	-	20,109
Miscellaneous	44,328	-	44,328
Solar farm	18,274	-	18,274
Leases	5,500	-	5,500
Intergovernmental	64,091	16,147	80,238
Total revenues	506,205	16,147	522,352
Expenditures			
General government	257,180	-	257,180
Public safety	45,007	-	45,007
Public works	23,912	16,893	40,805
Culture and recreation	12,052	-	12,052
Debt service	50,903	-	50,903
Total expenditures	389,054	16,893	405,947
Excess (Deficiency) of Revenues over (under) Expenditures	117,151	(746)	116,405
Other Financing Sources (Uses)			
Sale of capital assets	187,500	-	187,500
Total other financing sources and uses	187,500	-	187,500
Net change in fund balances	304,651	(746)	303,905
Fund balances - beginning	2,310,126	48,444	2,358,570
Fund balances - ending	\$ 2,614,777	\$ 47,698	\$ 2,662,475

See notes to the financial statements

City of Ducktown, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2022

Net changes in fund balance - total governmental funds 303,905

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net gain on sale. (101,002)

Governmental funds report retirement contributions as expenditures. These expenditures are reported as deferred outflows of resources and either pension income or expense in the government-wide financial statements. This is the amount by which pension income exceeds pension expenditures in the current period. (4,375)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:
Deferred property tax revenue 9,973

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 34,359

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. 12,182

Change in net position of governmental activities \$ 255,042

City of Ducktown, Tennessee
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		Variance with Final
Revenues				
Property taxes	\$ 105,700	\$ 105,700	\$ 100,005	\$ (5,695)
Local taxes	185,000	185,000	241,915	56,915
Licenses and permits	11,100	11,100	11,983	883
Grants and contracts	-	-	20,109	20,109
Solar farm	17,900	17,900	18,274	374
Leases	6,000	6,000	5,500	(500)
Intergovernmental	54,100	54,100	64,091	9,991
Miscellaneous	27,900	27,900	44,328	16,428
Total revenues	407,700	407,700	506,205	98,505
Expenditures				
General Government				
Personnel expenditures	185,000	185,000	152,969	(32,031)
Legal and professional services	24,000	24,000	27,788	3,788
Utilities	14,000	14,000	11,331	(2,669)
Supplies	3,770	3,770	8,977	5,207
Insurance	17,030	17,030	11,042	(5,988)
Miscellaneous	35,700	35,700	45,073	9,373
Capital outlay	10,500	10,500	-	(10,500)
Debt service	50,900	50,900	50,903	3
Election	1,500	1,500	-	(1,500)
Total general administration	342,400	342,400	308,083	(34,317)
Public Safety				
Copper Basin Medical Center				
Hospital expenses	15,000	15,000	15,007	7
	15,000	15,000	15,007	7
Police Department				
Contractual services	24,000	24,000	24,000	-
	24,000	24,000	24,000	-
Fire Department				
Contractual services	6,000	6,000	6,000	-
Total public safety	45,000	45,000	45,007	7
Public Works				
Repairs and maintenance	2,500	2,500	9,116	6,616
Supplies	23,040	23,040	14,796	(8,244)
Capital outlay	-	-	-	-
Total public works	25,540	25,540	23,912	(1,628)
Culture and Recreation				
Parks	5,000	5,000	412	(4,588)
City events	15,000	15,000	10,344	(4,656)
Library	960	960	960	-
Contributions to other agencies	1,000	1,000	336	(664)
Total culture and recreation	21,960	21,960	12,052	(9,908)
Total expenditures	434,900	434,900	389,054	(45,846)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(27,200)	(27,200)	117,151	144,351

See notes to the financial statements

City of Ducktown, Tennessee
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2022

Other Financing Sources (Uses)				
Sale of fixed assets	27,200	27,200	187,500	160,300
Total other financing sources and uses	27,200	27,200	187,500	160,300
Net change in fund balance	\$ -	\$ -	304,651	\$ 304,651
Fund Balance - beginning			2,310,126	
Fund Balance - ending			\$ 2,614,777	

See notes to the financial statements

City of Ducktown, Tennessee
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
State Street Aid
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
Revenues				
Intergovernmental	17,100	17,100	16,147	(953)
Total revenues	17,100	17,100	16,147	(953)
Expenditures				
General Government				
Street lighting	8,500	8,500	8,772	(272)
Traffic control	800	800	1,875	(1,075)
Streets/Sidewalks	1,500	1,500	6,246	(4,746)
Total expenditures	10,800	10,800	16,893	(6,093)
Net change in fund balance	\$ 6,300	\$ 6,300	(746)	\$ (7,046)
Fund Balance - beginning			48,444	
Fund Balance - ending			\$ 47,698	

See notes to the financial statements

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ducktown, Tennessee (the City) operates under a Mayor and Board of Commissioners within the following departments: general government, public safety, public works, and culture and recreation.

The financial statements of the City of Ducktown, Tennessee have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Based on this criteria, the City has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are generally financed through taxes and intergovernmental revenues.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

identifiable with a specific function or segment. Program revenues include; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The City reports the following major governmental funds:

General Fund - The General Fund accounts for all financial resources applicable to the general operations of City government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

State Street Aid - The State Street Aid Fund accounts for the City's share of motor vehicle fuel tax revenue that is legally restricted to the maintenance of streets within the City's boundaries.

Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - For purposes of reporting cash flows, cash includes amounts in demand deposits, State of Tennessee Local Government Investment Pool, and cash equivalents. The City considers all highly liquid investments with an initial maturity period of three months or less to be cash equivalents. These are classified on the balance sheet as "cash," "restricted assets," and "investments."

Investments - Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices. Investments of the City consists of certificates of deposit in financial institutions and are classified on the balance sheet as "certificates of deposit."

As of June 30, 2022, the City reflects a nonpooled investment in property held for resale that is carried at fair value within the fair value hierarchy established by generally accepted accounting principles.

During a prior year, Polk County and the City of Ducktown purchased the debt of the Copper Basin Medical Center (hospital) from the hospital's lender. The hospital ceased operations and in June 2018, the County and City of Ducktown finalized foreclosure proceedings, took possession of the hospital's property, and began the process of selling the property.

Generally accepted accounting principles and GASB standards do not recognize assets held for resale as capital assets of the City; therefore, the City's 25 percent share of the fair value of the hospital property has been reflected as an investment in the current financial statements in this report. The valuation of this property was determined using the 2018 property appraisal card received from the Comptroller's Division of Property Assessments. This valuation remained unchanged on the 2022 appraisal card.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The calculation of the City's valuation of this property was made as follows:

<u>Copper Basin Medical Center:</u>	
Appraised value per property card	\$ 4,980,700
City's ownership percentage	25%
City of Ducktown Investment at June 30, 2022	\$ 1,245,175

Investment	Weighted Average Maturity (days)	Maturity	Fair Value
Hospital Property (held for resale)	N/A	N/A	\$ 3,735,525
	<u>Fair Value Measurement Using</u>		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
Investment by Fair Value Level	Fair Value 6-30-22	(Level 1)	(Level 2)
Hospital Property (held for resale)	\$ 3,735,525	\$ -	\$3,735,525
Total	\$ 3,735,525	\$ -	\$3,735,525

Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Proceeds of bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also, amounts due from other governments may be included as restricted assets because their use is limited by grant agreements.

Capital Assets – Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

cost is not available. Contributed capital assets are recorded at their acquisition value on the date contributed.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset in excess of one year are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets and are not depreciated. Depreciation on depreciable capital assets is calculated on the straight-line basis over the following estimated useful lives:

Vehicles	6 years
Machinery and equipment	6-10 years
Building improvements	10-30 years
Infrastructure	25-50 years
Buildings	50 years

Bond Discounts and Premiums - In the governmental funds, bond discounts and premiums are treated as period costs in the year of issue. Bond premiums are presented as an increase of the face amount of bonds payable. At the government-wide level any bond discounts and premiums in the governmental funds are adjusted and reported in the same manner as in proprietary funds.

Fund Equity - Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance - represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Board. Committed resources cannot be used for any other purpose unless the City Board removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned Fund Balance - represents amounts the City intends to use for specific purposes as expressed by the City Board or an official delegated the authority to assign amounts.

Unassigned Fund Balance - represents the residual classification for the general fund or deficit balances in other funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use the committed amounts first, followed by the assigned and then unassigned amounts.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has unearned and unavailable revenue related to property taxes that qualifies for reporting in this category. The City also has deferred inflows and outflows related to the recording of changes in its net pension liability and leases. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence.

Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.

Property Taxes - Property taxes levied by the City are assessed by Polk County and collected by the City. The tax rate for the 2022 fiscal year (2021 tax year) was \$0.8000 per \$100 of assessed valuation.

The property tax calendar adopted by the City has the lien and levy date as the first day of the calendar year that ends during the fiscal year. The tax bills are mailed on the first day of the fourth month of the fiscal year.

The payment dates are the first day of the fourth month through the last day of the eighth month of the fiscal year. The delinquency date is the first day of the ninth month of the fiscal year.

The property tax calendar year applicable to the current fiscal year is as follows:

Lien date	January 1, 2022
Levy date	January 1, 2022
Tax bills mailed	October 1, 2022
Delinquency date	March 1, 2023

Grant Revenue - The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are deferred. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes-to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Compensated Absences - The liability for compensated absences is recorded when future payments for such absences have been earned by the employees. City employees are granted vacation in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave.

Interfund Transactions - During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets and service debt. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if the involved organizations were external to the City are treated as revenues in the receiving fund and expenditures in the disbursing fund. Transfers within governmental activities and within business-type activities are eliminated upon consolidation.

Amounts owed to one fund by another are reported as due to/due from other funds. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Net Position - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted. The City applies restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Net Investment in Capital Assets - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted - represents a net position that has third party (statutory, bond covenant or granting agency) limitations on its use. The City's policy is generally to use restricted net position first, as appropriate opportunities arise.

Unrestricted - While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to alter these managerial decisions.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures over Appropriations in Individual Funds

For the year ended June 30, 2022, the City had no excess of expenditures over appropriations.

Net Position/Fund Balance Deficit

For the year ended June 30, 2022, the City had no fund balance deficits.

NOTE 3 - CASH AND INVESTMENTS

The City is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the fiscal year ended June 30, 2022, the City invested funds that are not immediately needed in certificates of deposit, savings accounts and money market accounts.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. As of June 30, 2022, all deposits are fully collateralized.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, is as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 225,735	\$ -	\$ -	\$ 225,735
Total not being depreciated	225,735	-	-	225,735
Capital assets being depreciated:				
Furniture and equipment	261,024	-	-	261,024
Buildings and improvements	1,476,078	-	(57,831)	1,418,247
Infrastructure	922,527	-	-	922,527
Solar farm	147,266	-	-	147,266
Total capital assets being depreciated	2,806,895	-	(57,831)	2,749,064
Less: accumulated depreciation	(668,457)	(68,263)	25,092	(711,628)
Net capital assets being depreciated	2,138,438	(68,263)	(32,739)	2,037,436
Net capital assets	\$ 2,364,173	\$ (68,263)	\$ (32,739)	\$ 2,263,171

Depreciation expense was charged to the following functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 53,481
Public works	4,701
Culture and recreation	10,081
	<u>\$ 68,263</u>

NOTE 5 - LONG-TERM OBLIGATIONS

Governmental Activities

General Obligation Bonds, Capital Outlay Notes and Other Loans

The City issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government.

General obligation bonds, capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.

Debt outstanding as of June 30, 2022 consisted of the following:

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

	Interest Rates	Maturity Date	Original Issue	Balance June, 30 2022
Governmental Activities:				
Bonds Payable				
General Obligation, Series 2017	3.80%	2029	500,000	314,000
			500,000	314,000

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Years Ending June 30	Governmental Activities	
	Principal	Interest
2023	41,000	9,671
2024	42,000	8,408
2025	43,000	7,115
2026	45,000	5,790
2027-2029	143,000	8,901
	\$ 314,000	\$ 39,885

A summary of long-term liability activity, including debt, for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Governmental Activities					
General Obligation, Series 2017	\$ 354,000	\$ -	\$ (40,000)	\$ 314,000	\$ 41,000
	354,000	-	(40,000)	314,000	41,000
Compensated Absences	3,747	-	(2,707)	1,040	-
	\$ 357,747	\$ -	\$ (42,707)	\$ 315,040	\$ 41,000

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM

The City provides retirement benefits through a pension plan. The following is a summary of each of the plan:

General Information about the Pension Plan

Plan description. Employees of the City of Ducktown are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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-Investment-Policies>.

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active Employees	<u>3</u>
	<u>7</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 City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the City were \$4,536 based on a rate of 4.96% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Ducktown's state shared taxes if required employer contributions are not remitted. The employer's ADC and

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Ducktown's net pension liability (asset) was measured as of June 30, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block

CITY OF DUCKTOWN, TENNESSEE
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method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 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	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 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 City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Liability (Asset) (a)– (b)
Balance at 6/30/20	\$ 329,782	\$ 347,227	\$ (17,445)
Changes for the year:			
Service cost:	12,191		12,191
Interest	24,276		24,276
Differences between expected and actual experience	(10,994)		(10,994)
Change in Benefit Terms	-		
Change in Assumptions	33,308		33,308
Contributions-employer		4,632	(4,632)
Contributions-employees		4,981	(4,981)
Net investment income		88,938	(88,938)
Benefit payments, including refunds of employee contributions	(14,252)	(14,252)	-
Administrative expense		(287)	287
Other changes		-	-
Net changes	44,529	84,012	(39,483)
Balance at 6/30/21	\$ 374,311	\$ 431,239	\$ (56,928)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of City of Ducktown calculated using the discount rate of 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Ducktown's net pension liability (asset)	(\$842)	(\$56,928)	(\$103,089)

Pension Expense (negative pension expense). For the year ended June 30, 2022, the City of Ducktown recognized (negative pension expense) of \$988.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the City of Ducktown reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 22,693	\$ 19,942
Net difference between projected and actual earnings on pension plan investment	-	47,448
Changes in assumptions	30,622	-
Contributions subsequent to the measurement date of June 30, 2021	4,536	<u>(not applicable)</u>
Total	\$ 57,851	\$ 67,390

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30	
2023	(3,740)
2024	(3,127)
2025	(3,336)
2026	(11,090)
2027	3,076
Thereafter	4,138

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

At June 30, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The City is party to various lawsuits and claims in the ordinary course of their operations. Management believes that the potential adverse impact of these proceedings would not be material to the basic financial statements of the City.

NOTE 8 - LEASE AGREEMENTS

On August 1, 2007, the City of Ducktown entered into a lease agreement with a local company for the lease of a City owned building. Monthly rent is to be paid to the City on or before the first day of each month in the amount of \$400.

On December 4, 2014, the City of Ducktown entered into a lease agreement with a local company for the lease of a City owned building. Monthly rent is paid to the City on or before the first day of each month in the amount of \$250.

During the current fiscal year, the City recognized a lease payable to third parties related to a lease paid for the building utilized as City Hall. The lease is for 3 years and the City will remit annual payments of \$13,200. The City recognized \$2,107 in lease expense and \$177 in interest expense during the current fiscal year related to this lease. As of June 30, 2022, the City's payable for the lease payments was \$35,897. Also, the City has a deferred outflow of resources associated with this lease that will be recognized as expense over the lease terms. As of June 30, 2022, the balance of the deferred outflow of resources was \$35,813.

NOTE 9 – REVOLVING LOAN FUND

The revolving loan fund was established through the Urban Development Action Grant in 1992. The fund is restricted to being used to provide loans to local industries for the purposes of economic development and recovery. Payments of principal and interest received on the loans are returned to the fund in order to provide future loans. The fund is administered by a third party company. The fund balance at June 30, 2022 consisted of the following:

Cash in the bank	\$	288,964
Note receivable from third parties		102,251
Interfund fees		<u>(1,358)</u>
Total revolving loan fund assets	\$	<u>389,857</u>

NOTE 10 – NOTES RECEIVABLE

In June of 2018, the City entered into a sales agreement to sell a surplus building for \$70,000. The City received a \$70,000 ten year, zero interest note in return. The monthly payments are \$583. The City retains a security interest in this property.

CITY OF DUCKTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

In November of 2018, the City entered into a sales agreement to sell a surplus building and real estate lots for \$75,000. In return, the City received a \$67,500 zero interest note, in addition to a \$7,500 down payment. The monthly payments are \$500.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of losses related to worker’s compensation claims; limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, worker’s compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, and errors and omissions policies. The City’s premiums are calculated based on its prior claim history. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded the coverage provided by the Pool in any of the past three years.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Prior financial reports overreported amounts shown as capital assets in the Government-Wide financial statements.

A prior period adjustment was made to beginning net position in relation to the correction of an error noted above as follows:

Government-Wide	Description of Restatement	Amount
	Net position as of June 30, 2021, as previously reported	4,795,199
Governmental Activities	Restatement due to correction of an error	(387,914)
	Net position as of June 30, 2021, as restated	<u>\$ 4,407,285</u>

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 23, 2023, which is the date the financial statements were available to be issued. The full impact of the COVID-19 outbreak continues to evolve as of January 23, 2023. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, there is no estimate as to the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ducktown, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
General Government Employees
For the Fiscal Year Ended June 30th

	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability (Asset)							
Service Cost	\$ 10,488	\$ 11,106	\$ 6,572	\$ 10,744	\$ 10,777	\$ 11,150	\$ 12,191
Interest	13,917	15,457	20,525	20,249	21,133	22,476	24,276
Changes in Benefit Terms	-	-	-	-	-	-	-
Differences Between Actual and Expected Experience	916	56,081	(17,052)	(5,298)	45	4,253	(10,994)
Changes in Assumptions	-	-	4,662	-	-	-	33,308
Benefit Payments, Including Refunds of Employee Contributions	(2,825)	(7,966)	(13,115)	(13,390)	(13,671)	(13,931)	(14,252)
Net Change in Total Pension Liability (Asset)	22,496	74,678	1,592	12,305	18,284	23,948	44,529
Total Pension Liability (Asset), Beginning	176,479	198,975	273,653	275,245	287,550	305,834	329,782
Total Pension Liability (Asset), Ending (a)	\$ 198,975	\$ 273,653	\$ 275,245	\$ 287,550	\$ 305,834	\$ 329,782	\$ 374,311
Plan Fiduciary Net Position							
Contributions - Employer	\$ 12,409	\$ 10,725	\$ 4,763	\$ 5,043	\$ 5,133	\$ 5,258	\$ 4,632
Contributions - Employee	9,737	7,527	4,861	5,146	5,238	5,654	4,981
Net Investment Income	7,223	6,817	30,175	24,240	23,280	16,488	88,938
Benefit Payments, Including Refunds of Employee Contributions	(2,825)	(7,966)	(13,115)	(13,390)	(13,671)	(13,931)	(14,252)
Administrative Expense	(203)	(249)	(327)	(380)	(356)	(354)	(287)
Net Change in Plan Fiduciary Net Position	\$ 26,341	\$ 16,854	\$ 26,357	\$ 20,659	\$ 19,624	\$ 13,115	\$ 84,012
Plan Fiduciary Net Position, Beginning	224,277	250,618	267,472	293,829	314,488	334,112	347,227
Plan Fiduciary Net Position, Ending (b)	\$ 250,618	\$ 267,472	\$ 293,829	\$ 314,488	\$ 334,112	\$ 347,227	\$ 431,239
Net Pension Liability (Asset), Ending (a - b)	\$ (51,643)	\$ 6,181	\$ (18,584)	\$ (26,938)	\$ (28,278)	\$ (17,445)	\$ (56,928)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	125.95%	97.74%	106.75%	109.37%	109.25%	105.29%	115.21%
Covered Employee Payroll	\$ 116,731	\$ 100,895	\$ 97,210	\$ 102,911	\$ 104,755	\$ 113,080	\$ 99,613
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	44.24%	6.13%	-19.12%	-26.18%	-26.99%	-15.43%	-57.15%

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

See independent auditor's report

City of Ducktown, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
General Government Employees
For the Fiscal Year Ended June 30th

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 22,069	\$ 12,409	\$ 10,725	\$ 4,763	\$ 5,043	\$ 5,133	\$ 5,258	\$ 4,632
Contributions in relation to the actuarially determined contribution	22,069	12,409	10,725	\$ 4,763	\$ 5,043	\$ 5,133	\$ 5,258	\$ 4,632
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
Covered Employee Payroll	\$ 112,370	\$ 116,731	\$ 100,895	\$ 97,210	\$ 102,911	\$ 104,755	\$ 113,080	\$ 99,613
Contributions as a Percentage of Covered Employee Payroll	19.64%	10.63%	10.63%	4.90%	4.90%	4.90%	4.41%	4.65%

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

CITY OF DUCKTOWN, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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
Cost of Living Adjustments	2.25 percent

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

See independent auditor's report

OTHER INFORMATION SECTION

City of Ducktown, Tennessee
Schedule of Changes in Long-term Debt by Individual Issue
For the Year Ended June 30, 2022

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
<u>Governmental Activities</u>								
<u>Bonds Payable</u>								
General Obligation Bonds Series 2017	\$ 500,000	3.80%	7/18/2017	6/1/2029	354,000	-	(40,000)	314,000
Total Bonds Payable					<u>354,000</u>	<u>-</u>	<u>(40,000)</u>	<u>314,000</u>

City of Ducktown, Tennessee
Schedule of Principal and Interest Requirements
Governmental Funds
For the Year Ended June 30, 2022

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	41,000	9,671
2024	42,000	8,408
2025	43,000	7,115
2026	45,000	5,790
2027	46,000	4,404
2028	48,000	2,988
2029	49,000	1,509
Totals	<u>\$ 314,000</u>	<u>\$ 39,885</u>

See independent auditor's report

City of Ducktown, Tennessee
Schedule of Property Taxes Receivable
For the Year Ended June 30, 2022

Tax Year	Balance July 1, 2021	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Adjustments and Collections	Gross Receivable Balance June 30, 2022
2022	-	-	115,250		-	115,250
2021	-	99,246	-		87,428	11,818
2020	9,745	-	-		8,731	1,014
2019	4,002	-	-		386	3,616
2018	3,993	-	-		486	3,507
2017	1,902	-	-		225	1,677
2016	2,544	-	-		127	2,417
2015	1,673	-	-		-	1,673
2014	870	-	-		-	870
2013	1,211	-	-		-	1,211
2012	1,424	-	-		-	1,424
2011 and Before	710	-	-		-	710
Totals	\$ 28,074	\$ 99,246	\$ 115,250	\$ -	\$ 97,383	\$ 145,187
Less: allowance for uncollectible accounts						(19,964)
Balance, end of year, net of allowance						<u><u>\$ 125,223</u></u>

Note: All property taxes prior to 2021 have been turned over to the Clerk and Master.

See independent auditor's report

City of Ducktown, Tennessee
Schedule of Property Tax Rates and Assessments
Last Ten Fiscal Years
June 30, 2022

Year of Levy	Rate	Assessment	Tax Assessed
2022	0.80%	12,400,156	115,250
2021	0.80%	12,078,094	96,625
2020	0.79%	13,863,814	95,601
2019	0.79%	13,248,585	104,664
2018	0.78%	14,682,587	114,524
2017	0.78%	13,096,369	83,086
2016	0.63%	13,188,253	79,264
2015	0.63%	13,093,420	48,038
2014	0.63%	13,075,539	64,444
2013	0.53%	12,239,776	64,444

See independent auditor's report

GOVERNMENT AUDITING STANDARDS SECTION

The MG Group, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Honorable Mayor
and Board of Commissioners
City of Ducktown, 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 and each major fund of the City of Ducktown, Tennessee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Ducktown, Tennessee's basic financial statements, and have issued our report thereon dated January 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ducktown, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ducktown, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ducktown, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

515 NW Atlantic Street, Tullahoma, Tennessee 37388

16053 Rankin Avenue, Dunlap, Tennessee 37327

Phone (931) 393-3307 Fax (931) 563-5585

Report on Compliance and Other Matters

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

Purpose of This Report

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

MG Group, P.C.

Tullahoma, Tennessee
January 23, 2023

CITY OF DUCKTOWN, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2022

PART I. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Ducktown, Tennessee (the "City") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. The audit of the financial statements of the City disclosed one significant deficiency that is required to be reported under *Government Auditing Standards* as Finding 2022-001.
3. The audit of the financial statements of the City did not disclose any material weaknesses.

PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

2022-001: Lack of entirely complete operating bank reconciliation (Significant Deficiency)

Condition: The City of Ducktown did not have the year-end operating bank reconciliation properly completed.

Criteria: Tennessee Code Annotated, Section 9-8-102(a) requires each local government to establish and maintain internal controls. Bank reconciliations are an essential internal control tool and are needed in preventing and detecting fraud. They also help identify accounting and banking errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement.

Cause: Reconciling items were only partially identified.

Effect: The City is not compliant with a generally accepted practice of internal control.

Recommendation: Ensure that all bank accounts controlled by the entity are reconciled to the general ledger within 30 days after the end of each month of the accounting period.

Management's Response: We concur with this finding. See attached corrective action plan.

City of Ducktown, Tennessee
Summary Schedule of Prior Year Findings
June 30, 2022

Prior-year Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2021-001	Books not closed within sixty days (Noncompliance)	Corrected
2021-002	Budgeted Expenditures in Excess of Appropriations (Noncompliance)	Corrected

CITY OF DUCKTOWN, TENNESSEE

Post Office Box 506
Ducktown, Tennessee 37326

Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2022

FINDINGS RELATING TO THE FINANCIAL STATEMENTS

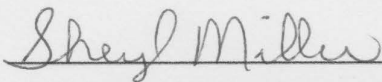
2021-001: Lack of entirely complete operating bank reconciliation (Significant Deficiency)

Recommendation: Ensure that all bank accounts controlled by the entity are reconciled to the general ledger within 30 days after the end of each month of the accounting period.

Planned corrective action: We will ensure that all bank accounts are maintained and reconciled in a timely manner.

Name of Contact Person: Sheryl Miller, CMFO, City Recorder

Anticipated Completion Date: January 31, 2023



Sheryl Miller, CMFO, City of Ducktown Recorder