

CITY OF JELLICO
Jellico, Tennessee
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2022



CITY OF JELlico

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INTRODUCTORY SECTION

CITY OF JELlico
ROSTER OF ELECTED AND MANAGEMENT OFFICIALS

June 30, 2022

Jellico Board of Alderman

Dwight Osborne, Mayor
Jerry Neal, Vice Mayor
Alvin Evans, Alderman
Suzanne Davenport, Alderwoman
Stan Marlow, Alderman
Sarah McQueen, Alderwoman
Sandy Terry, Alderwoman

Jellico City Management

Marsha Bruce, City Recorder (CMFO Designee)
Keith Blair, Fire Chief
Jake Bennett, Emergency Management Director
Mark J. Tidwell, Library Director
Gary Perkins, Chief of Police
Jerome Smith, Street Superintendent

Jellico Utilities Authority

Sandy Terry, Chair
Sarah McQueen, Vice-Chair
Stan Marlow, Member
Suzette Davenport, Member
Jerry Neal, Member

Jellico Utilities Authority Management

Joe D. Carroll, Jr., P.E., President and CEO
Stacy Gulley, Accounting/Administrative Assistant
Garrett Bradley, CSR/Billing/Payroll
Michelle Kellogg, Purchasing/Inventory Assistant
Robert Leach, Engineering Supervisor

Water & Sewer Board Members

Sandy Terry, Chair
Sarah McQueen, Vice-Chair
Stan Marlow, Member
Suzette Davenport, Member

Water & Sewer Management

Joe D. Carroll, Jr., P.E., President and CEO
Keith Blair, Superintendent of Water Operations
Stacy Gulley, Accounting/Administrative Assistant
Garrett Bradley, CSR/Billing/Payroll
Michelle Kellogg, Purchasing/Inventory Assistant
Robert Leach, Engineering Supervisor

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of the Mayor and Alderman
City of Jellico
Jellico, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparison statement of the general fund, and the aggregate remaining fund information of City of Jellico, Tennessee (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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 City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Jellico Utilities Authority and Jellico Water and Sewer Department, which represent 100 percent of the assets and deferred outflows, net position and revenues of the business-type activities and proprietary funds as of June 30, 2022. We did not audit the Jellico Utilities Authority Pension Plan, which represents 100 percent of the fiduciary funds presented in City of Jellico, Tennessee's financial statements as of June 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the business-type activities, proprietary funds and fiduciary funds, is based solely on the reports of the other auditors.

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 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.



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

In performing an audit in accordance with 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 the management's discussion and analysis on pages v through x and the required supplementary information on pages 35 through 37 to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose for forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental section and the schedule of federal awards and state assistance, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, as listed in the table of contents, 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 June 29, 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 to solely 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.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
June 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Jellico, Tennessee, (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.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,760,088 (net position). Of this amount, \$5,241,011 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's current year change in net position was an increase of \$1,346,601.
- The governmental funds had a current year excess of revenues and other financing sources over expenditures and other financing uses of \$60,518. As of the close of the June 30, 2022 fiscal year, the City's governmental funds reported combined ending fund balances of \$1,506,825. Approximately 92% of this balance was available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$1,380,437, or approximately 62% of total General Fund expenditures.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Activities are considered either as those of the primary government (the government as legally defined) or those of the component unit (a legally separate entity for which the primary government is financially accountable).

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflow of resources and 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the general government fund, four special revenue funds. The City's business-type activities include the water and sewer department and the Jellico Utilities Authority, a blended component unit.

The government-wide financial statements can be found on pages 1 and 2 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the fund's budgets in the basic financial statements section of this report. Budgetary comparisons for the special revenue funds may be found in the other supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 3 through 10 of this report.

Proprietary Funds. The City uses enterprise funds to account for its water and sewer department and the Jellico Utilities Authority (the "Authority"), a blended component unit. Enterprise funds are a type of proprietary fund used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer department and the Jellico Utilities Authority, a blended component unit. The proprietary funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 11 through 13 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 through 34 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 38 through 39 of this report. Budgetary comparison schedules for the Special Revenue Funds are presented on pages 40 through 43 following the combining financial statements.

Other supplementary schedules are presented on pages 44 through 53.

Government-Wide 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,760,088 at the close of the June 30, 2022 fiscal year.

The City's unrestricted net position represents approximately 19% of total net position. That is to say net position that does not meet the definition of "restricted" or "net investment in capital assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Jellico Condensed Statement of Net Position as of June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current and Other Assets	\$ 2,419,307	\$ 2,123,906	\$ 8,299,956	\$ 6,503,161	\$ 10,719,263	\$ 8,627,067
Capital Assets, Net	1,087,102	1,090,564	23,578,364	23,623,423	24,665,466	24,713,987
Total Assets	3,506,409	3,214,470	31,878,320	30,126,584	35,384,729	33,341,054
Deferred Outflows of Resources	0	0	292,935	374,696	292,935	374,696
Total Assets and Deferred Outflows of Resources	<u>\$ 3,506,409</u>	<u>\$ 3,214,470</u>	<u>\$ 32,171,255</u>	<u>\$ 30,501,280</u>	<u>\$ 35,677,664</u>	<u>\$ 33,715,750</u>
Liabilities, Deferred Inflows and Net Position						
Liabilities						
Current Liabilities	\$ 355,592	\$ 222,028	\$ 4,305,603	\$ 4,084,330	\$ 4,661,195	\$ 4,306,358
Noncurrent Liabilities	347,344	379,364	1,776,554	1,942,601	2,123,898	2,321,965
Total Liabilities	702,936	601,392	6,082,157	6,026,931	6,785,093	6,628,323
Deferred Inflows of Resources	611,890	546,093	520,593	127,847	1,132,483	673,940
Net Position						
Net Investment in Capital Assets	708,657	648,590	21,635,758	21,215,932	22,344,415	21,864,522
Restricted	126,388	155,727	48,274	48,177	174,662	203,904
Unrestricted	1,356,538	1,262,668	3,884,473	3,082,393	5,241,011	4,345,061
Total Net Position	2,191,583	2,066,985	25,568,505	24,346,502	27,760,088	26,413,487
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 3,506,409</u>	<u>\$ 3,214,470</u>	<u>\$ 32,171,255</u>	<u>\$ 30,501,280</u>	<u>\$ 35,677,664</u>	<u>\$ 33,715,750</u>

The largest portion of the City's net position (\$22,344,415 or approximately 81%) reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure), less accumulated depreciation and 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. The remaining balance, restricted net position of \$174,662 represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in both the governmental and the business-type activity categories of net position as a whole.

Current and other assets in the governmental activities increased by approximately \$295,400. This increase is primarily a result from the recovery of the COVID-19 virus that impacted the economy nationally and locally in 2021.

Current and other assets in the business type activities increased approximately \$1,797,000 primarily due to an increase in cash receipts from customers of the Authority.

Current liabilities in the governmental activities increased by approximately \$134,000 primarily due to grant funding received in advance.

Noncurrent liabilities in the business type activities decreased by approximately \$116,000 primarily due to scheduled debt service payments.

City of Jellico, Condensed Statement of Changes in Net Position for the Years Ended June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 461,715	\$ 358,776	\$ 15,196,107	\$ 10,303,488	\$ 15,657,822	\$ 10,662,264
Operating Grants and Contributions	664,806	371,947	0	0	664,806	371,947
Capital Grants and Contributions	0	0	126,736	582,961	126,736	582,961
General Revenues:						
Taxes:						
Property	590,602	561,993	0	0	590,602	561,993
Sales	248,838	226,497	0	0	248,838	226,497
Other Taxes	218,694	152,230	0	0	218,694	152,230
Intergovernmental	277,534	153,443	0	0	277,534	153,443
Rents	95,963	75,535	0	0	95,963	75,535
Interest	1,875	1,547	10,930	20,532	12,805	22,079
Other General Revenues	17,716	79,008	0	0	17,716	79,008
Total Revenues	2,577,743	1,980,976	15,333,773	10,906,981	17,911,516	12,887,957
Expenses						
General Government						
General Government	1,371,740	734,822	0	0	1,371,740	734,822
Public Safety	567,128	471,195	0	0	567,128	471,195
Highways and Streets	221,094	205,904	0	0	221,094	205,904
Parks	6,196	6,852	0	0	6,196	6,852
Library	99,642	87,956	0	0	99,642	87,956
Solid Waste	274,853	296,408	0	0	274,853	296,408
Interest on Long-Term Debt	15,671	18,024	0	0	15,671	18,024
Jellico Utilities Authority	0	0	11,710,168	7,256,283	11,710,168	7,256,283
Water and Sewer Department	0	0	2,298,422	2,160,520	2,298,422	2,160,520
Total Expenses	2,556,325	1,821,161	14,008,590	9,416,803	16,564,915	11,237,964
In Lieu of Taxes	103,180	103,180	(103,180)	(103,180)	0	0
Change in Net Position	124,598	262,995	1,222,003	1,386,998	1,346,601	1,649,993
Net Position - Beginning of Year	2,066,985	1,803,990	24,346,502	22,959,504	26,413,487	24,763,494
Net Position - End of Year	\$ 2,191,583	\$ 2,066,985	\$ 25,568,505	\$ 24,346,502	\$ 27,760,088	\$ 26,413,487

Governmental Activities - Governmental activities increased the City's net position in the current year by \$124,598 compared to an increase of \$262,995, in 2021. Key elements of the change in net position are as follows:

- Sales tax revenue increased approximately \$22,000 and other taxes increased approximately \$66,500 primarily due to the recovery of the COVID-19 virus that impacted the economy both nationally and locally in 2021.
- Operating grants and contributions increased approximately \$293,000 primarily due to more grant funding available.
- General Government expenses increased approximately \$637,000 primarily due to increased grant expenses.

Business-type Activities. The business-type activities (Water and Sewer Department and Jellico Utilities Authority, a blended component unit) increased the City's net position by \$1,222,003 in the current year, compared to an increase of \$1,386,998 in the prior year. Key elements of the current year increase in net position before transfers related to business-type activities are as follows:

- Total operating revenues and expenses for the business-type activities increased by approximately \$4,893,000 primarily due to the addition of a large crypto-mining customer during year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City's governmental funds 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,506,825, after a current year net change in fund balances of \$60,518. Approximately 92% of this ending fund balance, or \$1,380,437, constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable or restricted primarily for the purposes of the special revenue funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$1,380,437. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The unrestricted General Fund balance represents approximately 62% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$91,414 during the current fiscal year. General Fund revenues in 2022 increased from 2021 by approximately \$629,000 during the fiscal year and General Fund expenditures increased by approximately \$736,000. The following expense increases/decreases were noteworthy:

- General Government decreased approximately \$636,000 primarily due to increased grant expenses.
- Highways and Streets increased approximately \$96,000 primarily due to an increase in spending for equipment.
- Public Safety increased approximately \$135,000 primarily due to an increase in for additional vehicles.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the business-type activities section of the government-wide financial statements, but in more detail.

Unrestricted net position of the Proprietary Funds at the end of the year amounted to \$3,884,473. Other factors concerning the financial activity of this fund have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

The City made certain supplementary budgetary appropriations during the year. Differences between the original budget and the final amended budget amounted to net *increases* of budgeted expenditures and transfers totaling \$383,700.

The major adjustments are as follows:

- Approximately \$96,000 in increases to transfers to other funds to provide for operations.
- Approximately \$159,000 in increases to capital outlay to fund the purchase of vehicles and equipment.

Capital Asset and Debt Administration

Capital Assets. The investment in capital assets for the City's governmental and business-type activities as of June 30, 2022, amounts to \$24,665,466 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment, vehicles, community infrastructure and electric and water/sewer infrastructure.

Major capital asset events during the current fiscal year included the following:

- The City purchased approximately \$45,000 of new vehicles for the police department.
- The City purchased two pieces of new equipment for approximately \$68,500 during the year for highway and street maintenance.

Capital assets, net of depreciation, as of June 30, 2022 and 2021 are as follows:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 68,885	\$ 68,885	\$ 108,830	\$ 108,830	\$ 177,715	\$ 177,715
Construction in Progress	0	0	667,427	1,664,168	667,427	1,664,168
Buildings and Improvements	1,678,458	1,678,458	18,137,276	16,829,748	19,815,734	18,508,206
Infrastructure	456,860	456,860	0	0	456,860	456,860
Equipment	229,864	161,406	0	0	229,864	161,406
Vehicles	585,683	540,683	0	0	585,683	540,683
Transmission and Distribution	0	0	2,870,226	2,737,447	2,870,226	2,737,447
Purification and Treatment	0	0	10,949,319	10,817,493	10,949,319	10,817,493
Distribution	0	0	7,836,878	7,836,878	7,836,878	7,836,878
General	0	0	3,452,356	2,830,175	3,452,356	2,830,175
Accumulated Depreciation	<u>(1,932,648)</u>	<u>(1,815,729)</u>	<u>(20,443,948)</u>	<u>(19,201,316)</u>	<u>(22,376,596)</u>	<u>(21,017,045)</u>
	<u>\$ 1,087,102</u>	<u>\$ 1,090,563</u>	<u>\$ 23,578,364</u>	<u>\$ 23,623,423</u>	<u>\$ 24,665,466</u>	<u>\$ 24,713,986</u>

Additional information on the City's capital assets can be found in Note 6 on pages 24 and 25 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$2,321,051. All of the debt is backed by the full faith and credit of the City. The City's long-term debt as of June 30, 2022 and 2021 is as follows:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes Payable	\$ 378,445	\$ 441,974	\$ 1,060,771	\$ 1,483,750	\$ 1,439,216	\$ 1,925,724
Bonds Payable	0	0	881,835	464,885	881,835	464,885
Total	<u>\$ 378,445</u>	<u>\$ 441,974</u>	<u>\$ 1,942,606</u>	<u>\$ 1,948,635</u>	<u>\$ 2,321,051</u>	<u>\$ 2,390,609</u>

The City's total debt decreased by approximately \$69,500 (3%) during the current fiscal year primarily due to scheduled debt service payments.

Additional information on the City's long-term debt can be found in Note 7 on pages 25 through 26 of this report.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of deferred charges related to the Jellico Utilities Authority pension plan. Deferred inflows of resources consist of property taxes and pension related items of the Authority. Deferred outflows of resources increased approximately \$82,000. Deferred inflows increased approximately \$458,500.

Future Outlook and Next Year's Budget

In the 2023 fiscal year budget, General Fund revenues are expected to slightly increase from the previous fiscal year as local revenues are growing. The City's budget had benefited by an expanding commercial and retail base producing increased utility charges, property taxes and local tax receipts.

All of these factors were considered in preparing the City's budget for the 2022-2023 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City'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 City Recorder, City of Jellico, P.O. Box 419, Jellico, Tennessee, 37762.

CITY OF JELlico
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash	\$ 1,663,737	\$ 5,488,292	\$ 7,152,029
Certificates of Deposit	0	485,436	485,436
Receivables			
Property Taxes, Net	610,525	0	610,525
Other Tax	38,420	0	38,420
Grant Receivable	26,108	0	26,108
Utility Accounts	0	1,907,374	1,907,374
Due from Other Governments	11,628	0	11,628
Other	0	85,054	85,054
Internal Balances	62,328	(62,328)	0
Inventories	0	278,347	278,347
Prepaid Items and Other	6,561	117,781	124,342
Capital Assets:			
Nondepreciable	68,885	776,257	845,142
Depreciable, Net of Accumulated Depreciation	1,018,217	22,802,107	23,820,324
Total Assets	3,506,409	31,878,320	35,384,729
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	0	292,935	292,935
Total Deferred Outflows of Resources	0	292,935	292,935
LIABILITIES			
Accounts Payable and Accrued Expenses	9,975	2,286,702	2,296,677
Customer Deposits	0	1,736,105	1,736,105
Unearned Grant Revenue	290,617	0	290,617
Long-Term Liabilities:			
Due Within One Year	55,000	282,796	337,796
Due in More Than One Year	347,344	1,776,554	2,123,898
Total Liabilities	702,936	6,082,157	6,785,093
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	611,890	0	611,890
Deferred Inflows - Pension	0	520,593	520,593
Total Deferred Inflows of Resources	611,890	520,593	1,132,483
NET POSITION			
Net Investment in Capital Assets	708,657	21,635,758	22,344,415
Restricted			
State Street Aid	36,437	0	36,437
Solid Waste	15,481	0	15,481
Narcotics	74,112	0	74,112
Tourism	358		358
Debt Service	0	48,274	48,274
Unrestricted	1,356,538	3,884,473	5,241,011
Total Net Position	\$ 2,191,583	\$ 25,568,505	\$ 27,760,088

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

CITY OF JELlico

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2022

FUNCTIONS AND PROGRAMS	Program Revenues					Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government					
					Governmental Activities	Business-type Activities	Total			
Governmental Activities:										
General Government	\$ 1,371,740	\$ 0	\$ 662,406	\$ 0	\$ (709,334)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (709,334)
Public Safety	567,128	244,190	2,400	0	(320,538)	0	0	0	0	(320,538)
Highway and Streets	221,094	0	0	0	(221,094)	0	0	0	0	(221,094)
Parks	6,196	0	0	0	(6,196)	0	0	0	0	(6,196)
Library	99,642	442	0	0	(99,200)	0	0	0	0	(99,200)
Solid Waste	274,853	217,083	0	0	(57,770)	0	0	0	0	(57,770)
Interest on Long-Term Debt	15,671	0	0	0	(15,671)	0	0	0	0	(15,671)
Total Governmental Activities	2,556,325	461,715	664,806	0	(1,429,804)	0	0	0	0	(1,429,804)
Business-type Activities:										
Jellico Utilities Authority	11,710,168	12,816,498	0	0	0	1,106,330	0	0	0	1,106,330
Water and Sewer Department	2,298,422	2,379,609	0	126,736	0	207,923	0	0	0	207,923
Total Business-type Activities	14,008,590	15,196,107	0	126,736	0	1,314,253	0	0	0	1,314,253
Total Primary Government	\$ 16,564,915	\$ 15,657,822	\$ 664,806	\$ 126,736	\$ (1,429,804)	\$ 1,314,253	\$ 0	\$ 0	\$ 0	\$ (115,551)
General Revenues										
Taxes										
Property Taxes					\$ 590,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 590,602
Local Sales Tax					248,838	0	0	0	0	248,838
Other Taxes					218,694	0	0	0	0	218,694
Intergovernmental					277,534	0	0	0	0	277,534
Interest					1,875	10,930	10,930	10,930	10,930	12,805
Rents					95,963	0	0	0	0	95,963
Other Revenues					17,716	0	0	0	0	17,716
Transfers - In-Lieu of Tax Payments					103,180	(103,180)	(103,180)	(103,180)	(103,180)	0
Total General Revenues and Other Items					1,554,402	(92,250)	1,462,152	1,462,152	1,462,152	1,462,152
Change in Net Position					124,598	1,222,003	1,222,003	1,222,003	1,222,003	1,346,601
Net Position, Beginning of Year					2,066,985	24,346,502	24,346,502	24,346,502	24,346,502	26,413,487
Net Position, End of Year					\$ 2,191,583	\$ 25,568,505	\$ 25,568,505	\$ 25,568,505	\$ 25,568,505	\$ 27,760,088

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

CITY OF JELlico

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 1,570,495	\$ 93,242	\$ 1,663,737
Property Taxes Receivables, Net	610,525	0	610,525
Other Tax and Nonexchange Revenue Receivable	38,420	0	38,420
Grant Receivable	26,108	0	26,108
Due from Other Funds	43,500	24,877	68,377
Due from Other Governments	0	11,628	11,628
Prepaid Items	0	6,561	6,561
TOTAL ASSETS	\$ 2,289,048	\$ 136,308	\$ 2,425,356
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 55	\$ 9,920	\$ 9,975
Due to Other Funds	6,049	0	6,049
Unearned Grant Revenue	290,617	0	290,617
Total Liabilities	296,721	9,920	306,641
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	611,890	0	611,890
Total Deferred Inflows of Resources	611,890	0	611,890
FUND BALANCES			
Non-Spendable:			
Prepaid Items	0	6,561	6,561
Restricted:			
Special Revenue Funds:			
State Street Aid Fund	0	36,437	36,437
Solid Waste Fund	0	8,920	8,920
Narcotics Fund	0	74,112	74,112
Tourism	0	358	358
Unrestricted:			
Unassigned	1,380,437	0	1,380,437
Total Fund Balances	1,380,437	126,388	1,506,825
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2,289,048	\$ 136,308	\$ 2,425,356

CITY OF JELlico

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2022

Ending Total Fund Balances - Governmental Funds - Balance Sheet	\$	1,506,825
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Amounts reported for governmental activities in the statement of net positions are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds. 1,087,102

Accrued compensated absences are not due and payable in the current period and,
therefore, are not reported in the funds. (23,899)

Long-term debt is not due and payable in the current period and, therefore,
not reported in the funds. (378,445)

Net Position of Governmental Activities - Statement of Net Position	\$	<u>2,191,583</u>
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CITY OF JELlico

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property Taxes	\$ 590,602	\$ 0	\$ 590,602
Local Sales Tax	248,838	0	248,838
Other Taxes	138,185	80,509	218,694
Intergovernmental:			
State Taxes	248,658	0	248,658
Grants	664,806	0	664,806
Other Revenues	28,876	0	28,876
Fees and Charges for Services	1,017	216,066	217,083
Licenses and Permits	750	0	750
Fines and Penalties	244,533	99	244,632
Miscellaneous	112,033	2,771	114,804
Total Revenues	2,278,298	299,445	2,577,743
EXPENDITURES			
Current:			
General Government	1,297,237	43,500	1,340,737
Public Safety	578,972	0	578,972
Highways and Streets	146,632	109,607	256,239
Parks	6,196	0	6,196
Library	101,926	0	101,926
Solid Waste	0	257,135	257,135
Debt Service:			
Principal Retirement	63,529	0	63,529
Interest	15,671	0	15,671
Total Expenditures	2,210,163	410,242	2,620,405
NET CHANGES IN FUND BALANCES			
BEFORE OTHER FINANCING SOURCES (USES)	68,135	(110,797)	(42,662)
OTHER FINANCING SOURCES (USES)			
Other Financing Sources:			
Transfers In Lieu of Tax	103,180	0	103,180
Transfers from Other Funds	0	79,901	79,901
Other Financing Uses:			
Transfers to Other Funds	(79,901)	0	(79,901)
Total Other Financing Sources (Uses)	23,279	79,901	103,180
NET CHANGE IN FUND BALANCES	91,414	(30,896)	60,518
FUND BALANCES BEGINNING OF YEAR	1,289,023	157,284	1,446,307
FUND BALANCES, END OF YEAR	\$ 1,380,437	\$ 126,388	\$ 1,506,825

CITY OF JELlico

**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

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

Net Change in Fund Balance - Total Governmental Funds	\$	60,518
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.

Capital Assets Purchased	\$	113,458
Depreciation Expense		<u>(116,919)</u>
Net Change in Capital Assets		(3,461)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensate Absences	4,012
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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, however, has any effect on net position.

Principal Payments on Note Payable	<u>63,529</u>
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Change in Net Position of Governmental Activities	\$ <u>124,598</u>
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CITY OF JELlico
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes				
Property Taxes	\$ 527,000	\$ 527,000	\$ 519,914	\$ (7,086)
Penalties and Interest	12,000	12,000	70,688	58,688
Franchise Tax	8,000	8,000	12,998	4,998
Room Occupancy Tax	19,000	19,000	32,118	13,118
Local Sales Tax	188,000	188,000	248,838	60,838
Business Taxes	9,500	9,500	31,340	21,840
TVA In Lieu	28,965	28,965	22,364	(6,601)
Wholesale Beer Tax	44,000	44,000	34,265	(9,735)
Other Taxes	14,500	14,500	5,100	(9,400)
Total Taxes	850,965	850,965	977,625	126,660
Intergovernmental:				
State Sales Tax	212,000	212,000	248,658	36,658
Grants	102,879	102,879	664,806	561,927
Housing Authority	12,800	12,800	7,955	(4,845)
Corporate Excise Tax	14,000	14,000	20,921	6,921
Total Intergovernmental	341,679	341,679	942,340	600,661
Fees and Charges for Services:				
Fire Protection	2,000	2,000	575	(1,425)
Library Charges	850	850	442	(408)
Total Fees and Charges for Services	2,850	2,850	1,017	(1,833)
Licenses and Permits:				
Permits	7,000	7,000	750	(6,250)
Total Licenses and Permits	7,000	7,000	750	(6,250)
Fines and Penalties:				
City Court Fines	50,000	95,000	244,533	149,533
Total Fines and Penalties	50,000	95,000	244,533	149,533
Miscellaneous:				
Rental	68,500	68,500	95,963	27,463
Interest Income	2,300	2,300	1,828	(472)
Other Income	8,925	8,925	14,242	5,317
Total Miscellaneous Revenue	79,725	79,725	112,033	32,308
Total Revenues	1,332,219	1,377,219	2,278,298	901,079

CITY OF JELlico
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)	
	Original	Final	Actual		
EXPENDITURES					
General Government:					
Elected Officials:					
Personnel Costs	12,725	12,725	11,474	1,251	
Supplies	2,000	2,000	3,041	(1,041)	
Total Elected Officials	14,725	14,725	14,515	210	
City Court:					
Personnel Costs	51,390	66,890	56,851	10,039	
Supplies	3,200	3,200	3,694	(494)	
Training	250	250	281	(31)	
General Services	8,950	8,950	8,941	9	
Capital Outlay	0	0	5,477	(5,477)	
Total City Court	63,790	79,290	75,244	4,046	
City Attorney:					
	12,600	12,600	7,147	5,453	
City Recorder:					
Personnel Costs	51,320	51,320	38,481	12,839	
Supplies	7,950	7,950	4,808	3,142	
Training	1,000	1,000	397	603	
General Services	26,150	26,150	14,878	11,272	
Capital Outlay	1,000	1,000	0	1,000	
Total City Recorder	87,420	87,420	58,564	28,856	
City Hall Building:					
Personnel Costs	14,920	14,920	12,128	2,792	
Utilities	41,000	41,000	41,699	(699)	
Supplies	4,500	4,500	13,649	(9,149)	
Repairs and Maintenance	6,500	6,500	12,860	(6,360)	
General Services	24,800	24,800	8,680	16,120	
Total City Hall Building Operations	91,720	91,720	89,016	2,704	
Other General Government:					
Personnel Costs	9,400	9,400	9,397	3	
Utilities	16,000	16,000	16,587	(587)	
Supplies	0	0	7,060	(7,060)	
Hospital and Health	85,000	85,000	137,309	(52,309)	
Insurance	175,000	275,000	223,491	51,509	
Other Contracted Services	20,500	20,500	29,387	(8,887)	
General Services	19,100	19,100	43,987	(24,887)	
Total Other General Government	325,000	425,000	467,218	(42,218)	
Grant Projects:					
	0	0	585,533	(585,533)	
Total General Government	595,255	710,755	1,297,237	(586,482)	

CITY OF JELlico
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)

For the Year Ended June 30, 2022

Public Safety:

Police Department:

Personnel Costs	240,045	240,045	279,874	(39,829)
Supplies	7,000	82,000	26,675	55,325
Motor Vehicle Supplies	16,500	16,500	28,107	(11,607)
Repairs and Maintenance	2,500	2,500	27	2,473
Training	1,050	1,050	7,451	(6,401)
General Services	7,125	7,125	3,379	3,746
Capital Outlay	5,000	50,000	49,433	567
Total Police Department	279,220	399,220	394,946	4,274

Fire Department:

Personnel Costs	138,920	138,920	162,412	(23,492)
Utilities	15,000	15,000	12,366	2,634
Supplies	2,000	2,000	2,234	(234)
Motor Vehicle Supplies	17,750	17,750	6,724	11,026
Training	1,000	1,000	290	710
Capital Outlay	80,000	80,000	0	80,000
Total Fire Department	254,670	254,670	184,026	70,644

Total Public Safety

Total Public Safety	533,890	653,890	578,972	74,918
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Highways and Streets:

Personnel Costs	80,700	80,700	82,892	(2,192)
Utilities	1,000	1,000	0	1,000
Supplies	17,500	17,500	13,438	4,062
Motor Vehicle Supplies	5,500	5,500	2,574	2,926
Repairs and Maintenance	5,000	5,000	9,134	(4,134)
Capital Outlay	500	39,500	38,594	906
Total Highways and Streets	110,200	149,200	146,632	2,568

Parks:

Personnel Costs	0	0	99	(99)
Supplies	2,075	3,275	5,932	(2,657)
Repairs and Maintenance	500	500	0	500
General Services	2,000	2,000	165	1,835
Capital Outlay	500	500	0	500
Total Parks	5,075	6,275	6,196	79

Library:

Personnel Costs	60,640	60,640	68,787	(8,147)
Utilities	14,800	26,800	21,940	4,860
Supplies	2,000	2,000	2,603	(603)
Repairs and Maintenance	3,500	3,500	0	3,500
General Services	9,250	9,250	8,596	654
Capital Outlay	500	500	0	500
Total Library	90,690	102,690	101,926	764

Debt Service:

Principal	80,000	80,000	63,529	16,471
Interest	0	0	15,671	(15,671)
Total Debt Service	80,000	80,000	79,200	800
Total Expenditures	1,415,110	1,702,810	2,210,163	(507,353)

**Net Change in Fund Balances Before Other
Financing Sources and Uses**

Net Change in Fund Balances Before Other Financing Sources and Uses	(82,891)	(325,591)	68,135	393,726
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CITY OF JELlico
GENERAL FUND
STATEMENT OF GENERAL FUND BUDGETARY COMPARISON (Continued)
For the Year Ended June 30, 2022

Other Financing Sources (Uses):

Other Financing Sources:				
Transfers In Lieu of Tax	109,000	109,000	103,180	(5,820)
Other Financing Uses:				
Transfers to Other Funds	(32,000)	(128,000)	(79,901)	48,099
Total Other Financing Sources (Uses)	77,000	(19,000)	23,279	42,279
Net Change in Fund Balances	(5,891)	(344,591)	91,414.00	436,005
Fund Balance at Beginning of Year	1,289,023	1,289,023	1,289,023	0
Fund Balance at End of Year	\$ 1,283,132	\$ 944,432	\$ 1,380,437	\$ 436,005

CITY OF JELlico
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2022

	Jellico Utilities Authority	Water and Sewer Department	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash	\$ 4,171,914	\$ 1,316,378	\$ 5,488,292
Certificates of Deposit	437,162	48,274	485,436
Customer Receivables, Net	1,907,374	0	1,907,374
Other Receivables	82,002	3,052	85,054
Due From Other Funds	171,853	232,329	404,182
Prepaid Items	16,050	13,200	29,250
Materials and Supplies Inventory	184,379	93,968	278,347
Total Current Assets	6,970,734	1,707,201	8,677,935
NONCURRENT ASSETS			
TVA Energy Services Program	6,590	0	6,590
Other	81,941	0	81,941
Capital Assets:			
Nondepreciable	53,064	723,193	776,257
Depreciable, Net of Accumulated Depreciation	8,298,568	14,503,539	22,802,107
Total Capital Assets, Net of Accumulated Depreciation	8,351,632	15,226,732	23,578,364
Total Noncurrent Assets	8,440,163	15,226,732	23,666,895
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	292,935	0	292,935
Total Deferred Outflows of Resources	292,935	0	292,935
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 15,703,832	\$ 16,933,933	\$ 32,637,765
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,157,342	\$ 129,360	\$ 2,286,702
Due to Other Funds	251,157	215,353	466,510
Customer Deposits	1,651,165	84,940	1,736,105
Long-Term Debt - Current Portion	162,396	120,400	282,796
Total Current Liabilities	4,222,060	550,053	4,772,113
NONCURRENT LIABILITIES			
Advances from TVA Energy Services Loans	6,349	0	6,349
Net Pension Liability	110,395	0	110,395
Long-Term Debt	59,573	1,600,237	1,659,810
Total Noncurrent Liabilities	176,317	1,600,237	1,776,554
Total Liabilities	4,398,377	2,150,290	6,548,667
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	520,593	0	520,593
Total Deferred Inflows of Resources	520,593	0	520,593
NET POSITION			
Net Investment in Capital Assets	8,129,663	13,506,095	21,635,758
Restricted for Debt Service	0	48,274	48,274
Unrestricted	2,655,199	1,229,274	3,884,473
Total Net Position	10,784,862	14,783,643	25,568,505
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 15,703,832	\$ 16,933,933	\$ 32,637,765

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

CITY OF JELlico
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Jellico Utilities Authority	Water and Sewer Department	Total Proprietary Funds
OPERATING REVENUES			
Fees and Charges for Services	\$ 12,230,265	\$ 2,245,872	\$ 14,476,137
Other Revenue	586,233	133,737	719,970
Total Operating Revenues	<u>12,816,498</u>	<u>2,379,609</u>	<u>15,196,107</u>
OPERATING EXPENSES			
Purchased Electricity	9,461,965	0	9,461,965
System Operations	686,482	880,653	1,567,135
Customer Accounts Expense	235,648	125,092	360,740
Administrative and General	753,426	482,658	1,236,084
Depreciation and Amortization	478,549	721,760	1,200,309
Taxes and Tax Equivalents	81,987	42,468	124,455
Total Operating Expenses	<u>11,698,057</u>	<u>2,252,631</u>	<u>13,950,688</u>
OPERATING INCOME (LOSS)	<u>1,118,441</u>	<u>126,978</u>	<u>1,245,419</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	9,441	1,489	10,930
Interest Expense	(11,031)	(45,791)	(56,822)
Miscellaneous	(1,080)	0	(1,080)
Total Nonoperating Revenues (Expenses)	<u>(2,670)</u>	<u>(44,302)</u>	<u>(46,972)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>1,115,771</u>	<u>82,676</u>	<u>1,198,447</u>
CAPITAL CONTRIBUTIONS - GRANTS	<u>0</u>	<u>126,736</u>	<u>126,736</u>
TRANSFERS TO CITY OF JELlico - IN LIEU OF TAXES	<u>(103,180)</u>	<u>0</u>	<u>(103,180)</u>
CHANGE IN NET POSITION	<u>1,012,591</u>	<u>209,412</u>	<u>1,222,003</u>
NET POSITION, BEGINNING OF YEAR	<u>9,772,271</u>	<u>14,574,231</u>	<u>24,346,502</u>
NET POSITION, END OF YEAR	<u>\$ 10,784,862</u>	<u>\$ 14,783,643</u>	<u>\$ 25,568,505</u>

CITY OF JELlico
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Jellico Utilities Authority	Water and Sewer Department	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 13,384,494	\$ 2,716,749	\$ 16,101,243
Cash Paid to or on Behalf of Employees	(9,302,248)	(1,321,127)	(10,623,375)
Cash Paid to Suppliers	(800,759)	(551,134)	(1,351,893)
Cash Payments for In Lieu of Taxes	(121,253)	0	(121,253)
Net Cash Provided by (Used in) Operating Activities	3,160,234	844,488	4,004,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(844,467)	(290,130)	(1,134,597)
Principal Paid on Debt Maturities	(197,582)	(267,303)	(464,885)
Interest Expense	(11,031)	(45,791)	(56,822)
Cash Received from USDA for City of Jellico	0	43,500	43,500
Capital Contributions - Grants	0	126,736	126,736
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,053,080)	(432,988)	(1,486,068)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net Change in Receivable/Payable - Jellico Utilities Authority	(200,513)	200,513	0
Cash Received from TVA Residential Energy Services Program, Net	1,433	0	1,433
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	(199,080)	200,513	1,433
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	9,441	1,489	10,930
Net Cash Provided by (Used in) Investing Activities	9,441	1,489	10,930
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,917,515	613,502	2,531,017
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,691,561	751,150	3,442,711
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,609,076	\$ 1,364,652	\$ 5,973,728
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities			
Operating Income (Loss)	\$ 1,015,261	\$ 126,978	\$ 1,142,239
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	478,549	721,760	1,200,309
Miscellaneous Items	(1,080)	0	(1,080)
(Increase) Decrease in Assets:			
Accounts Receivable	(593,871)	323,810	(270,061)
Prepaid Expenses	(960)	1,632	672
Inventories	(15,527)	(6,175)	(21,702)
Other Assets	2,824	0	2,824
Deferred Outflows - Pension	81,761	0	81,761
Increase (Decrease) in Liabilities:			
Accounts Payable	1,085,106	(368,245)	716,861
Accrued Expenses	40,041	31,398	71,439
Customer Deposits	1,186,494	13,330	1,199,824
Net Pension Liability	(511,110)	0	(511,110)
Deferred Inflows - Pension	392,746	0	392,746
Total Adjustments	2,144,973	717,510	2,862,483
Net Cash Provided by (Used in) Operating Activities	\$ 3,160,234	\$ 844,488	\$ 4,004,722

CITY OF JELlico

**JELlico UTILITIES AUTHORITY PENSION PLAN
STATEMENT OF FIDUCIARY NET POSITION**

FIDUCIARY FUND

For the Year Ended June 30, 2022

ASSETS

Cash and Cash Equivalents	\$ <u>22,018</u>
Investments, at Fair Value:	
Mutual Funds - Equities	1,953,729
Mutual Funds - Fixed Income	<u>1,335,889</u>
Total Investments	<u>3,289,618</u>
Total Assets	\$ <u>3,311,636</u>

NET POSITION

Restricted for Pensions	\$ <u>3,311,636</u>
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CITY OF JELlico

**JELlico UTILITIES AUTHORITY PENSION PLAN
STATEMENT OF FIDUCIARY CHANGES NET POSITION**

FIDUCIARY FUND

June 30, 2022

ADDITIONS

Employer Contributions	\$	113,100
Investment Income:		
Interest and Dividend Income	\$	100,198
Net Depreciation in Fair Value of Investments		(677,129)
Less Investment Expenses		(20,909)
		<u>(597,840)</u>
Total Additions (Decreases)		<u>(484,740)</u>

DEDUCTIONS

Benefit Payments	<u>266,108</u>
Net Decrease in Fiduciary Net Position	(750,848)

NET POSITION RESTRICTED FOR PENSIONS

Beginning of Year	<u>4,062,484</u>
End of Year	<u>\$ 3,311,636</u>

CITY OF JELlico
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

The City of Jellico, Tennessee (the "City") operates under a mayor and Board of Alderman form of government and provides the following services; police and fire, highways and streets, public utilities, sanitation, recreation, public improvements, planning and zoning and general administrative services.

The Jellico Utilities Authority (the "Authority") was formed by resolution on September 3, 2019 by the Board of the Mayor and Alderman of the City. The Authority was created as a separate legal entity for the purpose of planning, acquiring, constructing, operating and maintaining electric utility systems within or outside the corporate limits of the City. Upon creation of the Authority, the Board of Mayor and Alderman was authorized to transfer to the Authority all its rights, title, and interest in all assets of the City's Electric Department's assets and the assumption of City's Electric Department's liabilities to the Authority. The Authority is governed by a five member Board of Directors, subject to the approval of the Mayor and Board of Alderman. The governing bodies of both the Authority and the City are substantially the same. The Authority is reported as a blended component unit. The City has entered into an operating agreement with the Authority for the management and operation of the City's Water and Sewer Department (the "Department"). All personnel of the Department are employees of the Authority, and these costs are allocated to the Department and reimbursed to the Authority.

Complete financial statements for the Authority, Department and the Jellico Utilities Authority Pension Plan may be obtained from Joe D. Carroll Jr., President and CEO; Jellico Utilities Authority; P.O. Box 510; Jellico, Tennessee 37762.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) followed in the United States of America. The Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City. All applicable GASB Statements have been implemented.

(B) GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The government-wide statement of activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The fund financial statements' emphasis is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

(C) BASIS OF PRESENTATION

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities. The following categories are used by the City:

Governmental Fund Types

Governmental funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. Governmental funds include the following fund types:

General Fund: The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The City has the following Special Revenue Funds:

State Street Aid Fund: This fund is used to account for the City's share of motor fuel tax revenues and special state grants that are legally restricted to the maintenance of state highways within the City's boundaries.

Solid Waste Fund: This fund is used to pay for all solid waste expenditures.

Narcotics Fund: This fund is used to account for drug fines received and usage of those monies to further drug investigations.

Tourism Fund: The fund is used to account for the City's tourism and promotion activities.

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds include the following fund types:

Enterprise Funds: Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following enterprise fund is used by the City:

Water and Sewer Department: This fund accounts for the activities of the water and sewer department, which operates and maintains a water and sewer collection system for residents and businesses on a user charge basis. This fund is presented as a major proprietary fund in the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (Continued)

Jellico Utilities Authority: This fund is a blended component unit and is presented as a major proprietary fund in the basic financial statements. The Authority is used to account for the operation of the electric system.

Fiduciary Fund Types

Fiduciary fund financial statements include a statement of fiduciary net position and statement of changes in fiduciary net position. This fund accounts for assets held for retirement benefits and is as follows:

Jellico Utilities Authority Pension Plan: The fund was established to provide pension benefits for Authority employees and is used to account for assets held by the Authority in a fiduciary capacity for employees or former employees of the Authority. The fiduciary fund, like proprietary funds, uses the accrual method of accounting.

(D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, franchise fees, and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department, and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

Revenues in the fiduciary fund are those additions to the plan that are generated from contributions from the Authority, participant contributions, and investment related income. Expenses are those deductions to the assets of the plan that arise from the payment of benefits and administrative expenses.

(E) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLows OF RESOURCES, AND NET POSITION / FUND BALANCES

Cash Equivalents - Cash equivalents consist of certificates of deposit, money market investment accounts and other temporary investments maturing within 90 days of original purchase.

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

Receivables - All receivables are shown net of an allowance for uncollectible accounts.

Inventories - Inventories are valued at the lower of cost or net realizable value using the average cost method and consist of expendable supplies and materials. The cost of such inventories is recorded as an expense when consumed rather than when purchased.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of such prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets - Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks, and culverts), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 for governmental activities and \$1,000 for business-type activities and an estimated useful greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation rates are as follows:

Governmental Activities:

Buildings and Improvements	10-50 Years
Infrastructure	40-50 Years
Equipment	5-10 Years
Vehicles	5-10 Years

Business-type Activities:

Structures and Improvements	33-50 Years
Transmission and Distribution	12-50 Years
General	5-20 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences - Accumulated unpaid vacation and sick pay are accrued in the Government-wide and all Proprietary Fund statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources.

City Employees - Employees earn vacation in varying amounts in accordance with administrative policies and can carry over leave not to exceed 120 hours. Upon termination, employees are entitled to be reimbursed for any unused vacation leave, not to exceed the maximum accrual. Accrued vacation for city employees at June 30, 2022 totaled \$23,899.

Authority Employees - Employees earn one day of sick leave per month up to an accumulated maximum of ninety working days. Sick leave that is accrued in excess of ninety days is converted to a retirement account. At retirement or death, employees will be paid their regular straight time pay for all sick leave days accumulated up to ninety workdays. In the event of termination, employees forfeit all unused sick leave. Accrued vacation and sick leave allocated to the Authority at June 30, 2022 totaled \$125,752. Accrued vacation and sick leave allocated to the Department at June 30, 2022 totaled \$97,626.

Long-Term Liabilities - The City reports long-term debt and other long-term obligations as liabilities in the government-wide and proprietary fund financial statements. In governmental fund financial statements debt proceeds and payments, premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance - Government-wide and proprietary fund net position is classified into three components: "Net investment in capital assets" consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. "Restricted" net position is noncapital net assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City. "Unrestricted" net position is remaining net position that does not meet the definition of the other two categories.

Governmental fund equity is classified as fund balance. The City follows GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Non-spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- c. Committed fund balances comprise those amounts that are self-imposed restrictions can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Board of Mayor and Alderman – the City's highest level of decision-making authority. Those committed amounts cannot be used for other purposes unless the Board of Mayor and Alderman removes the specified use by formal ordinance.
- d. Assigned fund balances consist of amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, intent can be authorized, and funds therefore assigned by formal resolution of the Board of Mayor and Alderman – the City's highest level of decision-making authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e. Unassigned fund balances consist of excess funds that have not been classified in the previous categories. The general fund is the only governmental fund that reports positive unassigned fund balance.

The Board of Mayor and Alderman has retained the authority to assign funds for specific purposes. When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

Regulated Operations - The Authority is an electric utility operation regulated by Tennessee Valley Authority (TVA), an agency of the federal government. TVA exercises oversight in the rate setting process and required the use of accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission (FERC). Specific accounting policies which are unique to FERC include when capital assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal costs less salvage is charged or credited to the accumulated depreciation account.

The Authority has a power contract with TVA whereby the Authority purchases all its electric power from TVA and is subject to restrictions and conditions. These include prohibitions against diverting the Authority's assets to other operations of the primary government, securing indebtedness of other operations of the primary government, or paying more than the Authority's equitable share of tax equivalents.

The Authority participates in the TVA Residential Energy Efficiency Program which provides loans to the Authority's residential customers for heat pump and insulation costs.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain amounts in the financial statements and/or accompanying footnotes related to June 30, 2021 balances may have been reclassified in order to be consistent with their classification for June 30, 2022.

Evaluation of Subsequent Events - Management has evaluated subsequent events through June 29, 2023, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that required disclosure.

(F) ADOPTION OF NEW ACCOUNTING STANDARDS

Adoption of New Accounting Standard - The City adopted the provisions of GASB Statement No. 87, *Leases*. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes inflows of resources or outflows of resources based on the payment provisions of the contract. This standard establishes a single model of lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Statement's effect on the financial statements was insignificant.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

1. Formal budgets are adopted and approved by Board vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Board approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Board.
3. The budget amounts shown in the financial statements are the final authorized amounts as amended

during the fiscal year.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

(B) SUPPLEMENTAL APPROPRIATIONS

The following revisions were made to the original fiscal 2022 budgeted expenditures and other financing uses by additional appropriations for the following major fund:

Fund	Original Budget	Revisions	Final Budget
General	\$ 1,447,110	\$ 383,700	\$ 1,830,810

NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT

Custodial Credit Risk - Deposits In the case of cash and certificates of deposit, this is the risk that in the event of a bank failure, the City's deposits will not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). At June 30, 2022, the City and the Authority's deposits were adequately collateralized. Cash and certificates of deposit consist of the following at June 30, 2022:

	Governmental Activities	Authority	Water & Sewer Department
Cash on Hand and in Banks	\$ 1,663,737	\$ 4,171,914	\$ 1,316,378
Certificates of Deposit	0	437,162	48,274
	<hr/>	<hr/>	<hr/>
	\$ 1,663,737	\$ 4,609,076	\$ 1,364,652
Current Funds	\$ 1,663,737	\$ 4,609,076	\$ 1,316,378
Restricted and Segregated Funds	0	0	48,274
	<hr/>	<hr/>	<hr/>
	\$ 1,663,737	\$ 4,609,076	\$ 1,364,652

NOTE 4 - PROPERTY TAX

The City's property taxes are levied each January 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. Property taxes attach as an enforceable lien on property after one year of delinquency. The City's tax rate for the year ended June 30, 2022, was \$2.15 per \$100 of assessed value.

According to GASB Statement No. 33, *Accounting for Financial Reporting for Non-Exchange Transactions*, the City is required to record a property tax receivable on the assessment date January 1. However, the revenue is not recognized until the next fiscal year.

The amount of property taxes receivable recorded as deferred revenue at June 30, 2022, was \$611,890.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

	Due From Other Funds	Due to Other Funds	Total Internal Balances
Governmental Activities:			
General Fund	\$ 43,500	\$ (6,049)	\$ 37,451
State Street Aid	6,049	0	6,049
Solid Waste	18,828	0	18,828
Total Governmental Activities	<u><u>\$ 68,377</u></u>	<u><u>\$ (6,049)</u></u>	<u><u>\$ 62,328</u></u>
Business-Type Activities:			
Jellico Utilities Authority	\$ 171,853	\$ (251,157)	\$ (79,304)
Water and Sewer Department	232,329	(215,353)	16,976
Total Business-Type Activities	<u><u>\$ 404,182</u></u>	<u><u>\$ (466,510)</u></u>	<u><u>\$ (62,328)</u></u>

These balances relate primarily to the reimbursement of expenditures incurred, or income earned, by one fund but paid by, or received by, another fund. All interfund balances are short term and scheduled to be collected/paid in the subsequent year.

Interfund transfers during the fiscal year were as follows:

Transfers From:		
Governmental Activities:		
General Fund		
Transfers To:		
Governmental Activities:		
State Street Aid Fund	\$ 38,500	
Narcotics Fund	4,901	
Tourism Fund	36,500	
	<u><u>\$ 79,901</u></u>	

Transfers at the fund level are used to (1) move revenues or other cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE 6 - CAPITAL ASSETS

Governmental Activities

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 68,885	\$ 0	\$ 0	\$ 68,885
Total Capital Assets, Not Being Depreciated	<u>68,885</u>	<u>0</u>	<u>0</u>	<u>68,885</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,678,458	0	0	1,678,458
Infrastructure	456,860	0	0	456,860
Equipment	161,406	68,458	0	229,864
Vehicles	<u>540,683</u>	<u>45,000</u>	<u>0</u>	<u>585,683</u>
Total Capital Assets, Being Depreciated	<u>2,837,407</u>	<u>113,458</u>	<u>0</u>	<u>2,950,865</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,314,927	33,561	0	1,348,488
Infrastructure	82,631	15,383	0	98,014
Equipment	148,280	18,719	0	166,999
Vehicles	<u>269,891</u>	<u>49,256</u>	<u>0</u>	<u>319,147</u>
Total Accumulated Depreciation	<u>1,815,729</u>	<u>116,919</u>	<u>0</u>	<u>1,932,648</u>
Total Capital Assets, Being Depreciated, Net	<u>1,021,678</u>	<u>(3,461)</u>	<u>0</u>	<u>1,018,217</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,090,563</u>	<u>\$ (3,461)</u>	<u>\$ 0</u>	<u>\$ 1,087,102</u>

Depreciation was charged to primary government governmental activities as follows:

General Government	\$ 35,234
Public Safety	31,956
Highway and Streets	32,429
Solid Waste	<u>17,300</u>
Total Governmental Depreciation	<u>\$ 116,919</u>

Jellico Utilities Authority

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

	Balance July 1, 2021	Increases	Decreases / Adjustments	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 19,776	\$ 0	\$ 0	\$ 19,776
Construction in Progress	<u>1,166,187</u>	<u>(1,132,899)</u>	<u>0</u>	<u>33,288</u>
Total Capital Assets, Not Being Depreciated	<u>1,185,963</u>	<u>(1,132,899)</u>	<u>0</u>	<u>53,064</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	11,095,993	1,807,762	(500,234)	12,403,521
Transmission and Distribution	2,737,447	135,780	(3,001)	2,870,226
General	<u>1,759,851</u>	<u>100,035</u>	<u>500,000</u>	<u>2,359,886</u>
Total Capital Assets, Being Depreciated	<u>15,593,291</u>	<u>2,043,577</u>	<u>(3,235)</u>	<u>17,633,633</u>
Less Accumulated Depreciation for:				
Structures and Improvements	6,168,108	285,061	(1,526)	6,451,643
Transmission and Distribution	1,391,526	106,587	(9,256)	1,488,857
General	<u>1,254,559</u>	<u>140,006</u>	<u>0</u>	<u>1,394,565</u>
Total Accumulated Depreciation	<u>8,814,193</u>	<u>531,654</u>	<u>(10,782)</u>	<u>9,335,065</u>
Total Capital Assets, Being Depreciated, Net	<u>6,779,098</u>	<u>2,575,231</u>	<u>(14,017)</u>	<u>8,298,568</u>
Business-type Activities Capital Assets, Net	<u>\$ 7,965,061</u>	<u>\$ 1,442,332</u>	<u>\$ (14,017)</u>	<u>\$ 8,351,632</u>

NOTE 6 - CAPITAL ASSETS (Continued)

Water and Sewer Department

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

	Balance July 1, 2021	Increases	Decreases / Adjustments	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 89,054	\$ 0	\$ 0	\$ 89,054
Construction in Progress	497,981	136,158	0	634,139
Total Capital Assets, Not Being Depreciated	587,035	136,158	0	723,193
Capital Assets, Being Depreciated:				
Structures and Improvements	5,733,755	0	0	5,733,755
Purification and Treatment	10,817,493	131,826	0	10,949,319
Distribution	7,836,878	0	0	7,836,878
General	1,070,324	22,146	0	1,092,470
Total Capital Assets, Being Depreciated	25,458,450	153,972	0	25,612,422
Less Accumulated Depreciation for:				
Structures and Improvements	3,076,539	114,675	0	3,191,214
Transmission and Distribution	3,493,818	356,298	0	3,850,116
Distribution	3,072,497	170,271	0	3,242,768
General	744,269	80,516	0	824,785
Total Accumulated Depreciation	10,387,123	721,760	0	11,108,883
Total Capital Assets, Being Depreciated, Net	15,071,327	(567,788)	0	14,503,539
Business-type Activities Capital Assets, Net	\$ 15,658,362	\$ (431,630)	\$ 0	\$ 15,226,732

NOTE 7 - LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion
Governmental Activities:					
Note Payable (Direct Borrowing):					
General Obligation Refunding					
Capital Outlay Note	\$ 441,974	\$ 0	\$ 63,529	\$ 378,445	\$ 55,000
Business-type Activities:					
Jellico Utilities Authority					
Note Payable (Direct Borrowing):					
First State Bank of the Southeast					
Capital Outlay Note	\$ 419,551	\$ 0	\$ 197,582	\$ 221,969	\$ 162,396
Water and Sewer Department					
Notes Payable (Direct Borrowings):					
Tennessee Revolving Loan Fund, SRF-98-121	149,267	0	149,267	0	0
Drinking Water State Revolving Loan Fund					
DWA 09-084	412,620	0	40,658	371,962	40,948
Drinking Water State Revolving Loan Fund					
DWA 10-103	183,143	0	15,012	168,131	15,108
Drinking Water State Revolving Loan Fund					
DG2 13-134	319,169	0	20,460	298,709	20,508
Total Notes Payable (Direct Borrowings)					
Water and Sewer Department	1,064,199	0	225,397	838,802	76,564
Water and Sewer Department					
Bonds Payable:					
Water and Sewer Revenue Bonds,					
USDA Rural Development	923,741	0	41,906	881,835	43,836
Total Water and Sewer Department	1,987,940	0	267,303	1,720,637	120,400
Total Business-type Activities	\$ 2,407,491	\$ 0	\$ 464,885	\$ 1,942,606	\$ 282,796

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debt outstanding is as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2022
Governmental Activities:					
General Obligation Refunding					
Capital Outlay Note	3.73%	1/31/2018	12/1/2029	660,000	\$ 378,445
Business-type Activities:					
Jellico Utilities Authority					
Note Payable (Direct Borrowing):					
First State Bank of the Southeast					
Capital Outlay Note	3.30%	1/5/2021	1/5/2024	500,000	221,969
Water and Sewer Department					
Notes Payable (Direct Borrowings):					
Tennessee Revolving Loan Fund, SRF-98-121	0.54%	5/1/2002	4/30/2022	3,397,853	0
Drinking Water State Revolving Loan Fund					
DWA 09-084	0.71%	5/1/2011	4/30/2031	810,000	371,962
Drinking Water State Revolving Loan Fund					
DWA 10-103	0.69%	4/1/2013	3/31/2033	303,077	168,131
Drinking Water State Revolving Loan Fund					
DG2 13-134	0.23%	11/1/2016	10/31/2036	60,000	298,709
Total Notes Payable (Direct Borrowings)					838,802
Water and Sewer Department					
Water and Sewer Department					
Bonds Payable:					
Water and Sewer Revenue Bonds,					
USDA Rural Development	4.50%	6/3/2011	1/3/2037	1,253,805	881,835
Total Water and Sewer Department					1,720,637
Total Business-type Activities					1,942,606
Total Long-Term Debt Payable					\$ 2,321,051

The full faith and credit of the City is pledged as collateral.

The following is a summary of the City's debt service requirements in five-year increments:

Year Ending June 30,	Governmental Activities				Business-type Activities				Total	
	Direct Borrowing		Direct Borrowings		Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest			Principal	Interest
2023	\$ 55,000	\$ 14,577	\$ 238,960	\$ 8,847	\$ 43,836	\$ 38,784			\$ 337,796	\$ 62,208
2024	55,000	12,515	136,584	4,489	45,850	36,770			237,434	53,774
2025	55,000	10,452	77,461	3,398	47,956	34,664			180,417	48,514
2026	55,000	8,390	77,912	2,947	50,159	32,461			183,071	43,798
2027	55,000	6,327	78,355	2,504	52,464	30,156			185,819	38,987
2028-2032	103,445	6,793	347,803	5,799	300,763	112,337			752,011	124,929
2033-2037	0	0	103,696	508	340,807	36,885			444,503	37,393
	\$ 378,445	\$ 59,054	\$ 1,060,771	\$ 28,492	\$ 881,835	\$ 322,057			\$ 2,321,051	\$ 409,603

NOTE 8 - RETIREMENT PLANS

(A) Defined Contribution Plan

The City provides benefits for its employees through a single employer defined contribution plan. Full time employees are eligible to participate after 90 days of service. In order to receive the City's 9% contribution, participating employees must contribute a minimum of 3%. For the fiscal year ending June 30, 2022, the amount of the City's contributions was \$7,787.

NOTE 8 - RETIREMENT PLANS (Continued)

(B) JELlico UTILITIES AUTHORITY PENSION PLAN

General Information about the Pension Plan

Plan Description – The Jellico Utilities Authority Pension Plan (the “Plan”) provides pensions for all permanent full-time employees of the Authority who work at least 20 hours per week for at least five months out of the year, and are eligible after completing 6 months of service on the first day of the year. The Plan is a single-employer, non-contributory, defined benefit plan. The Authority’s Board of Directors establishes and amends all benefit provisions.

Benefits Provided – The Plan provides retirement, disability, and death benefits. Normal retirement benefits for all participants will be 2.0% of the participant’s average compensation multiplied by credited service at normal retirement. The Plan defines average compensation as an average of earnings for the 10 years during which the average is the highest. Credited service is defined as all years during which an employee is continuously employed by the employer. The normal retirement date is the first day of the month coinciding with or next following attainment of age 65 or fifth year of credited service. Participants may retire at age 55 with 10 years of vesting service. The accrued benefit is reduced by one-half of one percent (0.5%) for each complete month preceding the normal retirement date.

Employees Covered by Benefit Terms – At the measurement date of June 30, 2021, the Authority had 56 total plan participants as follows:

Inactive Employees Currently Receiving Benefit Payments	23
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	7
Active Employees	26
Total Participants	56

Contributions – The Plan is funded by employer contributions. The contributions to the plan from the Authority were \$113,100 for the year ended June 30, 2022.

Actuarial Cost Method: Entry Age Normal

Amortization Method: Closed, level dollar amortization for the initial unfunded accrued liability as of July 1, 2009. Subsequent gains and losses will be amortized over a closed 5 year period. The amortization period for experience gains and losses, changes in actuarial methods or assumptions, or plan amendments shall be amortized 20 years from the date of the valuation in which such event occurred.

Asset Valuation Method: Market Value

The principal goal of the funding policy is to assure that future Authority contributions and current plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive, and retired members and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs.

NOTE 8 - RETIREMENT PLANS (Continued)

Net Pension Liability

Net Pension Liability – At June 30, 2022, the Authority reported a net pension liability of \$110,395. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.00% per annum
Investment Return	7.00% per annum

Mortality rates were based on the 1983 Group Annuity Mortality table for males, set back 6 years in age for females.

The Plan is an ongoing plan with a perpetual time horizon. For the reason, long-term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments is based on multiple levels of diversification, which have been designed to optimize return while managing risk. The top level includes asset classes like equities and income-generating securities such as bonds. The second level consists of multiple sub-asset classes and styles like large cap, small cap, growth and value. The third level demonstrates geographic diversification. The fourth level consists of individual managers specializing in a particular asset class. The fifth level represents individual securities selected for each portfolio by those managers. All levels are continuously monitored and adjusted as changes in the markets or economy indicate.

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Authority's Board of Directors. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board has appointed a fiduciary to direct investment of plan assets. The investment fiduciary shall have the exclusive authority and discretion to select the investment funds available under the Plan.

The expected rates of return and target asset allocation for each major asset class are summarized the following table:

Asset Class	Long-Term Expected Rate of Return	Target Allocation
Domestic Equities	7.0-9.0%	60%
Fixed Income	4.0-5.0%	40%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

NOTE 8 - RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/21 (measurement date 6/30/20)	\$ 4,005,164	\$ 3,383,659	\$ 621,505
Changes for the Year			
Service Cost	70,456	0	70,456
Interest	280,362	0	280,362
Differences Between Expected and Actual Experience	92,003	0	92,003
Contributions - Employer	0	96,948	(96,948)
Net Investment Income	0	856,983	(856,983)
Benefit Payments	(275,106)	(275,106)	0
Net Changes	167,715	678,825	(511,110)
Balances, June 30, 2022 (measurement date 6/30/21)	\$ 4,172,879	\$ 4,062,484	\$ 110,395

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the Authority calculated using the stated discount rate, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Net Pension Liability (Asset)	\$ 564,428	\$ 110,395	\$ (277,553)

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$43,924. Pension expense allocated to the Water and Sewer Department for the ended June 30, 2022, was \$32,573.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 179,835	\$ 110,952
Differences Between Projected and Actual Earnings on Pension Plan Investments	0	409,641
Contributions Subsequent to the Measurement Date	113,100	0
Total	\$ 292,935	\$ 520,593

The amount show above for "Contributions Subsequent to the Measurement Date" will be recognized as a reduction of the net pension liability in the following measurement period.

NOTE 8 - RETIREMENT PLANS (Continued)

Pension Liabilities, 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 this pension plan will be recognized in pension expense as follows:

<u>For the Years ended June 30:</u>		
2023	\$	(89,597)
2024		(84,793)
2025		(105,472)
2026		(143,407)
2027		(3,407)
Thereafter		<u>85,918</u>
Total	\$	<u>(340,758)</u>

NOTE 9 - RISK MANAGEMENT

The City of Jellico purchases commercial insurance and participates in the Public Entity Partners (PEP) pool to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the pool and/or an insurance company. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three years.

Coverage through the pool is for payment of damage claims and to defend the City in any damage suit that is included in the coverage, up to the policy's applicable limits, at the pool's expense. This includes any other necessary costs relating to the defense. The City has the responsibility of following any reporting requirements, including timely reporting of any incidents that might result in a damage claim. The City is to do everything necessary to protect the rights of recovery of the pool and enforcement of these rights by complying with all terms of the policy. PEP has the right to apply premium rate changes as necessary.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The Authority and Department provide electric services and water and sewer services to the City of Jellico, surrounding counties, and portions of Kentucky. The Authority and Department grants credit to its customers, substantially all of whom are local businesses and residents.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The City is involved in various litigations arising in the ordinary course of its operations. The City is vigorously defending each of the suits. The outcome of these suits is not presently determinable. However, management believes that if any suit results in an unfavorable outcome that its insurance coverage is sufficient to cover any judgment.

NOTE 12 - JELLICO UTILITIES AUTHORITY PENSION PLAN - FIDUCIARY FUND

(A) Summary of Significant Accounting Policies

Net Position - Fiduciary Fund – Net fiduciary position consists of results from net investment income (loss), employer contributions, benefits paid and administrative expenses of the Authority's defined benefit plan. Fiduciary net position is classified as restricted for pension benefits.

Investments - Fiduciary Fund – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NOTE 12 - JELlico UTILITIES AUTHORITY PENSION PLAN - FIDUCIARY FUND (Continued)

(B) Plan Description

The Jellico Utilities Authority Pension Plan (the "Plan") is a single-employer, non-contributory, defined benefit plan established by the City of Jellico, Tennessee effective July 1, 1967, amended and restated July 1, 2011. This Plan covers only employees of the Authority.

Management of the Plan is vested in the Jellico Utilities Authority Board of Directors, who are appointed by the Authority's Board of Directors, subject to approval by the Mayor and Board of Aldermen of the City of Jellico, Tennessee.

Plan Participants

Inactive Employees Currently Receiving Benefit Payments	23
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	7
Active Employees:	
Vested	18
Non-vested	8
Total Participants	<u>56</u>

Plan Provisions

Eligibility - Employees who work at least 20 hours per week for at least 5 months out of the year are eligible after completing 6 months of service on the first day of the plan year.

Normal Retirement Date - The normal retirement date is the first day of the month coinciding with or next following attainment of age 65 or 5th year of credited service, whichever is later. The Plan also provides for a special retirement age of 62 and 25 years of credited service.

Normal Retirement Benefit - The normal retirement benefit will be 2.0% of the participant's average compensation multiplied by credited service at normal retirement.

The amount a retiree will receive will be in the form of a monthly straight life annuity for single participants, and an actuarial equivalent joint and 50%, 75% or 100% survivor annuity for married participants.

The Plan defines average compensation as an average of earnings for the 10 years during which the average is the highest. Credited service is defined as all years during which an employee is continuously employed by the employer. The maximum annual benefit for the Plan is \$245,000 as adjusted per Internal Revenue Code Section 415 for retirement age other than social security retirement age.

Early Retirement Benefit - Participants may retire at age 55 with 10 years of vesting service. The accrued benefit is reduced by one-half of one percent (0.5%) for each complete month preceding the Normal Retirement Date.

Death Benefit - If the participant is not eligible for full early retirement at the time of death, his spouse will receive the same benefit that would be payable as a survivor annuity if the participant had retired with an immediate Joint & Survivor Annuity on the day before his death. Beneficiaries of participants who are not married at the time of death will receive no death benefit except for a return of any employee contributions made, accumulated with interest.

Disability Benefit - The plan provides that a participant who has not reached his normal retirement date but ceases to be employed on account of permanent and total disability, shall be retired from service on a disability retirement pension. The benefit will be payable as of the first day of the month following disability and the benefit amount will be the accrued benefit at date of disability, reduced for commencement prior to normal retirement.

Vested Termination Benefits - The vested portion of any participant's accrued benefit attributable to employer contributions is determined based on his years of service. The applicable vesting schedule is as follows:

Less than 5 years	0%
Five or more years	100%

That portion of a terminated participant's accrued benefit that is not vested shall be forfeited and used only to reduce future costs of the Plan.

NOTE 12 - JELlico UTILITIES AUTHORITY PENSION PLAN - FIDUCIARY FUND (Continued)
(B) Plan Description (Continued)
Contributions

The Plan is funded by employer contributions. The Authority shall annually contribute amounts necessary to provide the benefits set forth herein and to maintain the plan on an actuarially sound basis. Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following contribution policy:

Actuarial Cost Method: Entry Age Normal

Amortization Method: Closed, level dollar amortization for the initial unfunded accrued liability as of July 1, 2009. Subsequent gains and losses will be amortized over a closed 5 year period. The amortization period for experience gains and losses, changes in actuarial methods or assumptions, or plan amendments shall be amortized 20 years from the date of the valuation in which such event occurred.

Asset Valuation Method: Market Value

For the year ended June 30, 2022, employer contributions were \$113,000. The principal goal of the funding policy is to assure that future Authority contributions and current plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive, and retired members, and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs.

Investments

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Authority's Board of Directors. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board has appointed a fiduciary to direct investment of plan assets. The investment fiduciary shall have the exclusive authority and discretion to select the investment funds available under the plan. The following was the asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Domestic Equities	60%
Fixed Income	40%

The following table presents the fair value of investments at June 30, 2022. Those investments which represent 5% or more of net position restricted for pensions are separately stated.

Mutual Funds:

SEI Institutional Managed Trust Funds		
Large Cap Growth Fund Class A	\$	554,693
Large Cap Value Fund Class A		612,173
Core Fixed Income Fund Class A		869,670
International Equity Fund Class A		389,774
Emerging Markets Equity Fund Class A		189,038
International Fixed Income Fund Class A		202,707
Other (No Individual Fund Greater than 5%)		493,581
Total	\$	3,311,636

NOTE 12 - JELlico UTILITIES AUTHORITY PENSION PLAN - FIDUCIARY FUND (Continued)
(B) Plan Description (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2022:

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government Investments:				
Equities	\$ 1,953,729	\$ 1,953,729	\$ 0	\$ 0
Fixed Income	\$ 1,335,889	\$ 1,335,889	\$ 0	\$ 0
	\$ 3,289,618	\$ 3,289,618	\$ 0	\$ 0

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -14.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(C) Net Pension Liability of the Authority

The components of the net pension liability of the Authority at June 30, 2022 were as follows:

Total Pension Liability	\$ 4,392,443
Plan Fiduciary Net Position	<u>(3,311,636)</u>
Authority's Net Pension Liability	<u>\$ 1,080,807</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.39%

Actual Assumptions for the Calculation of the Net Pension Liability

Measurement Date:	6/30/2022
Valuation Date:	6/30/2022
Inflation:	3.00% per annum
Salary Increases:	5.00% per annum
Investment Return:	7.00% per annum
Post-Retirement Benefit Changes:	None
Projected Service Credits:	Assumed on full year of service credit per year for all active participants
Mortality:	1983 Group Annuity Mortality table for males, set back 6 years in age for females. See rate illustrated in table below
Retirement Age:	age 65 and five years of service
Cost of Living Increase:	0.00% per annum
Marriage:	It is assumed that 100% of plan participants are married and that husbands are three years older than their wives.
Termination of Employment:	See rates in illustrated table below
Disability Rates:	See rates in illustrated table below
Expenses:	Assumed to be paid outside the trust

NOTE 12 - JELlico UTILITIES AUTHORITY PENSION PLAN - FIDUCIARY FUND (Continued)
(C) Net Pension Liability of the Authority (Continued)

Age	Pre-Retirement Decrement Rates (per 1,000 lives)						
	Mortality		Withdrawal		Disability		
	Male	Female	Male	Female	Male	Female	
25	0.0	0.0	78.0	78.0	1.5	1.5	
35	0.9	0.6	64.1	64.1	1.9	1.9	
45	2.2	1.1	43.3	43.3	4.4	4.4	
55	6.1	3.5	19.8	19.8	11.9	11.9	
65	15.6	8.4	0.0	0.0	0.0	0.0	
75	44.6	24.8	0.0	0.0	0.0	0.0	
85	114.8	67.1	0.0	0.0	0.0	0.0	

Long-Term Expected Rate of Return on Pension Plan Investments

The Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments is based on multiple levels of diversification, which have been designed to optimize return while managing risk. The top level includes asset classes like equities and income-generating securities such as bonds. The second level consists of multiple sub-asset classes and styles like large cap, small cap, growth and value. The third level demonstrates geographic diversification. The fourth level consists of individual managers specializing in a particular asset class. The fifth level represents individual securities selected for each portfolio by those managers. All levels are continuously monitored and adjusted as changes in the markets or economy dictate. The expected rates of return are arithmetic and are as follows:

Asset Class	Long-Term Expected Rate of Return
Domestic Equities	7.0-9.0%
Fixed Income	4.0-5.0%

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 was 7.00%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

Sensitivity of Net Pension Liability in the Discount Rate

The following represents the net pension liability of the Authority at June 30, 2022 calculated using the stated discount rate, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Authority's Net Pension Liability (Asset)	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
	\$ 1,560,295	\$ 1,080,807	\$ 671,293

(D) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF JELlico
JELlico UTILITIES AUTHORITY
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

For the Measurement Periods Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 78,977	\$ 70,456	\$ 62,536	\$ 62,430	\$ 64,864	\$ 64,112	\$ 71,665	\$ 70,482	\$ 76,336
Interest	292,102	280,362	273,258	265,032	255,009	251,543	240,267	235,644	232,564
Differences Between Expected and Actual Experience	114,593	92,003	13,257	32,030	56,950	(8,830)	26,166	(90,498)	(138,763)
Benefit Payments	(266,108)	(275,106)	(247,577)	(240,973)	(233,639)	(257,303)	(177,020)	(149,588)	(126,126)
Net Change in Total Pension Liability	219,564	167,715	101,474	118,519	143,184	49,522	161,078	66,040	44,011
Total Pension Liability - Beginning	4,172,879	4,005,164	3,903,690	3,786,171	3,642,987	3,593,465	3,432,387	3,366,347	3,322,336
Total Pension Liability - Ending (A)	\$ 4,392,443	\$ 4,172,879	\$ 4,005,164	\$ 3,904,690	\$ 3,786,171	\$ 3,642,987	\$ 3,593,465	\$ 3,432,387	\$ 3,366,347
Plan Fiduciary Net Position									
Contributions - Employer	\$ 113,100	\$ 96,948	\$ 92,484	\$ 88,675	\$ 88,675	\$ 88,675	\$ 88,675	\$ 88,675	\$ 88,675
Net Investment Income (Loss)	(597,840)	856,983	50,830	141,145	264,766	368,267	(87,870)	77,995	452,765
Benefit Payments	(266,108)	(275,106)	(247,577)	(240,973)	(233,639)	(257,303)	(177,020)	(149,588)	(126,126)
Net Change in Plan Fiduciary Net Position	(750,848)	678,825	(104,263)	(11,153)	119,802	199,639	(176,215)	17,082	415,314
Plan Fiduciary Net Position - Beginning	4,062,484	3,383,659	3,487,922	3,499,075	3,379,273	3,179,634	3,355,849	3,338,767	2,923,453
Plan Fiduciary Net Position - Ending (B)	\$ 3,311,636	\$ 4,062,484	\$ 3,383,659	\$ 3,487,922	\$ 3,499,075	\$ 3,379,273	\$ 3,179,634	\$ 3,355,849	\$ 3,338,767
Net Pension Liability - Ending (A) - (B)	\$ 1,080,807	\$ 110,395	\$ 621,505	\$ 416,768	\$ 287,096	\$ 263,714	\$ 413,831	\$ 76,538	\$ 27,580
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	75.39%	97.35%	84.48%	89.33%	92.42%	92.76%	88.48%	97.77%	99.18%
Covered Payroll	\$ 1,229,187	\$ 1,080,009	\$ 974,943	\$ 1,148,746	\$ 992,158	\$ 914,563	\$ 1,307,059	\$ 1,321,679	\$ 1,221,864
Net Pension Liability as a Percentage of Covered Payroll	87.93%	10.22%	63.75%	36.28%	28.94%	28.83%	31.66%	5.79%	2.26%

Note: Presentation has been made for the years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

CITY OF JELlico

JELlico UTILITIES AUTHORITY
SCHEDULE OF CONTRIBUTIONS

For the Measurement Periods Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 81,468	\$ 113,100	\$ 102,492	\$ 92,484	\$ 91,152	\$ 104,076	\$ 81,108	\$ 76,692	\$ 133,836
Contributions in Relation to the Actuarially Determined Contribution	113,100	96,948	92,484	88,675	88,675	88,675	88,675	88,675	88,675
Contribution Deficiency (Excess)	\$ (31,632)	\$ 16,152	\$ 10,008	\$ 3,809	\$ 2,477	\$ 15,401	\$ (7,567)	\$ (11,983)	\$ 45,161
Covered Payroll	\$ 1,229,187	\$ 1,080,009	\$ 974,943	\$ 1,148,746	\$ 992,158	\$ 914,563	\$ 1,307,059	\$ 1,321,679	\$ 1,221,864
Contributions as a Percentage of Covered Payroll	9.20%	8.98%	9.49%	7.72%	8.94%	9.70%	6.78%	6.71%	7.26%

Note: Presentation has been made for the years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

Notes: Valuation Date: Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Calculate Actuarially Determined Contribution:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Closed Level Dollar Amortization
Asset Valuation Method:	Market Value
Inflation:	3.00%
Salary Increases:	5.00%
Investment Rate of Return:	7.00%
Retirement Age:	65 with 5 Years of Service
Mortality:	1983 GA for Males, Setback 6 Years for Females

CITY OF JELlico

**JELlico UTILITIES AUTHORITY
SCHEDULE OF INVESTMENT RETURNS**

For the Measurement Periods Ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	-14.94%	25.86%	1.49%	4.11%	7.99%	11.86%	-2.64%	2.36%	16.09%

Note: Presentation has been made for the years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

SUPPLEMENTARY INFORMATION SECTION

CITY OF JELlico
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Narcotics Fund	Tourism Fund	
ASSETS					
Cash and Cash Equivalents	\$ 18,760	\$ 0	\$ 74,112	\$ 370	\$ 93,242
Due from Other Governments	11,628	0	0	0	11,628
Due from Other Funds	6,049	18,828	0	0	24,877
Prepays	0	6,561	0	0	6,561
TOTAL ASSETS	\$ 36,437	\$ 25,389	\$ 74,112	\$ 370	\$ 136,308
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 0	\$ 9,908	\$ 0	\$ 12	\$ 9,920
Total Liabilities	0	9,908	0	12	9,920
FUND BALANCES					
Nonspendable	0	6,561	0	0	6,561
Restricted	36,437	8,920	74,112	358	119,827
Total Fund Balances	36,437	15,481	74,112	358	126,388
TOTAL LIABILITIES AND FUND BALANCES	\$ 36,437	\$ 25,389	\$ 74,112	\$ 370	\$ 136,308

CITY OF JELlico

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Narcotics Fund	Tourism Fund	
REVENUES:					
State Gasoline and Motor Fuel Tax (Intergovernmental)	\$ 76,041	\$ 0	\$ 0	\$ 0	\$ 76,041
Room Occupancy Tax	0	0	0	4,468	4,468
Fees and Charges for Services	0	216,066	0	0	216,066
Fines and Penalties	0	0	99	0	99
Other Revenue	0	0	0	2,724	2,724
Interest	0	47	0	0	47
Total Revenues	76,041	216,113	99	7,192	299,445
EXPENDITURES:					
General Government	0	0	0	43,500	43,500
Highways and Streets	109,607	0	0	0	109,607
Solid Waste/Sanitation	0	257,135	0	0	257,135
Drug Prevention	0	0	0	0	0
Total Expenditures	109,607	257,135	0	43,500	410,242
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES (USES)	(33,566)	(41,022)	99	(36,308)	(110,797)
OTHER FINANCING SOURCES (USES):					
Transfers from Other Funds	38,500	0	4,901	36,500	79,901
Total Other Financing Sources (Uses)	38,500	0	4,901	36,500	79,901
NET CHANGE IN FUND BALANCES	4,934	(41,022)	5,000	192	(30,896)
FUND BALANCES, BEGINNING OF YEAR	31,503	56,503	69,112	166	157,284
FUND BALANCES, END OF YEAR	\$ 36,437	\$ 15,481	\$ 74,112	\$ 358	\$ 126,388

See Independent Auditor's Report.

CITY OF JELlico

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

SPECIAL REVENUE FUND - STATE STREET AID FUND

For the Year Ended June 30, 2022

					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES:					
State Gasoline and Motor Fuel Tax	\$ 90,300	\$ 90,300	\$ 76,041	\$ (14,259)	
EXPENDITURES:					
Utilities	103,000	118,500	108,358	10,142	
Street Repair and Maintenance	0	0	1,249	(1,249)	
Total Expenditures	103,000	118,500	109,607	8,893	
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES (USES)	(12,700)	(28,200)	(33,566)	(23,152)	
OTHER FINANCING SOURCES (USES):					
Transfer from Other Funds	0	0	38,500	38,500	
Total Other Financing Sources (Uses)	0	0	38,500	38,500	
CHANGES IN FUND BALANCES	(12,700)	(28,200)	4,934	33,134	
FUND BALANCE, BEGINNING OF YEAR	31,503	31,503	31,503	0	
FUND BALANCE, END OF YEAR	\$ 18,803	\$ 3,303	\$ 36,437	\$ 33,134	

CITY OF JELlico

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

SPECIAL REVENUE FUND - SOLID WASTE FUND

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
Charges for Services	\$ 250,750	\$ 250,750	\$ 216,066	\$ (34,684)
Other Revenue	0	0	47	47
Total Revenues	250,750	250,750	216,113	(34,637)
EXPENDITURES:				
Personnel Costs	253,960	253,960	168,733	85,227
Refuse Collection and Recycling	39,250	39,250	88,402	(49,152)
Total Expenditures	293,210	293,210	257,135	36,075
CHANGES IN FUND BALANCES	(42,460)	(42,460)	(41,022)	1,438
FUND BALANCE, BEGINNING OF YEAR	56,503	56,503	56,503	0
FUND BALANCE, END OF YEAR	\$ 14,043	\$ 14,043	\$ 15,481	\$ 1,438

CITY OF JELlico

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

SPECIAL REVENUE FUND - DRUG FUND

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
Fines and Penalties	\$ 7,000	\$ 7,000	\$ 99	\$ (6,901)
EXPENDITURES:				
Public Safety	17,000	17,000	0	17,000
Total Expenditures	17,000	17,000	0	17,000
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES (USES)	(10,000)	(10,000)	99	(9,901)
OTHER FINANCING SOURCES (USES):				
Transfer from Other Funds	0	0	4,901	4,901
Total Other Financing Sources (Uses)	0	0	4,901	4,901
CHANGES IN FUND BALANCES	(10,000)	(10,000)	5,000	15,000
FUND BALANCES, BEGINNING OF YEAR	69,112	69,112	69,112	0
FUND BALANCES, END OF YEAR	\$ 59,112	\$ 59,112	\$ 74,112	\$ 15,000

CITY OF JELlico

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

SPECIAL REVENUE FUND - TOURISM FUND

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Favorable (Unfavorable)	
REVENUES:					
Room Occupancy Tax	\$ 2,000	\$ 2,000	\$ 4,468	\$ 2,468	
Other Revenue	1,000	1,000	2,724	1,724	
Total Revenues	3,000	3,000	7,192	4,192	
EXPENDITURES:					
Personnel Costs	19,270	19,270	19,251	(19)	
Culture and Recreation	16,000	26,000	24,249	(1,751)	
Total Expenditures	35,270	45,270	43,500	(1,770)	
NET CHANGE IN FUND BALANCES BEFORE OTHER FINANCING SOURCES (USES)	(32,270)	(42,270)	(36,308)	5,962	
OTHER FINANCING SOURCES (USES):					
Transfer from Other Funds	15,000	15,000	36,500	21,500	
Total Other Financing Sources (Uses)	15,000	15,000	36,500	21,500	
CHANGES IN FUND BALANCES	(17,270)	(27,270)	192	27,462	
FUND BALANCE, BEGINNING OF YEAR	166	166	166	0	
FUND BALANCE, END OF YEAR	\$ (17,104)	\$ (27,104)	\$ 358	\$ 27,462	

CITY OF JELlico

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

For the Year Ended June 30, 2022

Federal/Pass-through Agency/State Grantor Program Title	Assistance Listing Number	State / Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Awards				
Appalachian Regional Commission				
Passed-through Tennessee Department of Economic and Community Development:				
Appalachian Area Development	23.000	(1)	\$ 0	\$ 153,238
Appalachian Area Development	23.002	33004-00621	0	12,519
Total Appalachian Regional Commission			0	165,757
U.S. Department of Housing and Urban Development				
Passed-through from Tennessee Department of Economic and Community Development				
Community Development Block Grants	14.228	33004-94818	0	105,434
Home Investment Partnerships Program	14.239	(1)	0	321,621
Total U.S. Department of Housing and Urban Development			0	427,055
U.S. Department of Treasury				
Passed-through from Tennessee Department of Finance and Administration				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	(1)	0	110,673
Total U.S. Department of Treasury			0	110,673
Total Federal Awards			0	703,485
State Financial Assistance				
Tennessee Department of Commerce and Insurance				
Salary Supplement			0	2,400
Tennessee Department of Economic and Community Development				
2020 Infrastructure Grant			0	8,783
Total State Financial Assistance			0	11,183
Total Federal Awards and State Financial Assistance			\$ 0	\$ 714,668

(1) Information not available

CITY OF JELlico

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Pigeon Forge (the "City"), and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Federal Financial Assistance. The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments. Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments. Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs. The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the City were defined using a risk-based approach in accordance with Uniform Guidance.

Assistance Listing Number. The Assistance Listing Number (formerly known as Catalog of Federal Domestic Assistance or CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Assistance Listing Number), which is reflected in the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COSTS

The City has elected not to use the ten percent de minimis indirect rate as allowed under Uniform Guidance.

NOTE 4 - OUTSTANDING LOANS

The Water and Sewer Department had the following loan funding balance and loan balances outstanding at June 30, 2022. These loan funding balances are also included in the federal expenditures presented in the Schedule.

Program	ALN	Loan Funding	Outstanding Balance
Community Facilities	10.766	\$ 0	\$ 881,835
Capitalization Grants for Drinking Water	66.468	0	168,131
Capitalization Grants for Drinking Water	66.468	0	298,709
		\$ 0	\$ 1,348,675

NOTE 5 - CONTINGENCIES

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agency could make a claim for reimbursement.

CITY OF JELlico

**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
GOVERNMENTAL ACTIVITIES**

As of June 30, 2022

General Obligation Refunding Capital Outlay Note

	Principal	Interest	Total
2023	\$ 55,000	\$ 14,577	\$ 69,577
2024	55,000	12,515	67,515
2025	55,000	10,452	65,452
2026	55,000	8,390	63,390
2027	55,000	6,327	61,327
2028	55,000	4,264	59,264
2029	48,445	2,529	50,974
	\$ 378,445	\$ 59,054	\$ 437,499

**CITY OF JELLICO
JELLICO UTILITIES AUTHORITY**

**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
BUSINESS-TYPE ACTIVITIES**

As of June 30, 2022

General Obligation Refunding Capital Outlay Note				
	Principal	Interest	Total	
2023	\$ 162,396	\$ 4,551	\$ 166,947	
2024	59,573	640	60,213	
	\$ 221,969	\$ 5,191	\$ 227,160	

**CITY OF JELlico
WATER AND SEWER DEPARTMENT**

**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
BUSINESS-TYPE ACTIVITIES**

As of June 30, 2022

Year Ending June 30,	Water and Sewer Revenue Tax Bonds		Tennessee Revolving Loan Fund		Tennessee Revolving Loan Fund		Tennessee Revolving Loan Fund		Total	
	Series 1998, 4.50%		DWA 09-084, 0.71%		DWA 10-103, 0.69%		DG2 13-134, 0.23%		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2023	\$ 43,836	\$ 38,784	\$ 40,948	\$ 2,508	\$ 15,108	\$ 1,116	\$ 20,508	\$ 672	\$ 120,400	\$ 43,080
2024	45,850	36,770	41,239	2,217	15,216	1,008	20,556	624	122,861	40,619
2025	47,956	34,664	41,533	1,922	15,324	900	20,604	576	125,417	38,062
2026	50,159	32,461	41,828	1,627	15,432	792	20,652	528	128,071	35,408
2027	52,464	30,156	42,127	1,328	15,528	696	20,700	480	130,819	32,660
2028	54,874	27,746	42,427	1,029	15,636	588	20,748	432	133,685	29,795
2029	57,395	25,225	42,730	726	15,744	480	20,796	384	136,665	26,815
2030	60,031	22,589	43,033	423	15,864	360	20,844	336	139,772	23,708
2031	62,789	19,831	36,097	117	15,972	252	20,892	288	135,750	20,488
2032	65,674	16,946	0	0	16,080	144	20,940	240	102,694	17,330
2033	68,691	13,929	0	0	12,227	25	20,988	192	101,906	14,146
2034	71,846	10,774	0	0	0	0	21,036	144	92,882	10,918
2035	75,147	7,473	0	0	0	0	21,084	96	96,231	7,569
2036	78,599	4,021	0	0	0	0	21,132	48	99,731	4,069
2037	46,524	688	0	0	0	0	7,229	3	53,753	691
	\$ 881,835	\$ 322,057	\$ 371,962	\$ 11,897	\$ 168,131	\$ 6,361	\$ 298,709	\$ 5,043	\$ 1,720,637	\$ 345,358

See Independent Auditor's Report.

CITY OF JELlico

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2022

	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding July 30, 2022
Governmental Activities									
Notes Payable									
<u>Payable through General Fund</u>									
General Obligation Refunding Capital Outlay Note	\$ 660,000	3.73	%	1/31/2018	12/1/2029	\$ 441,974	\$ 0	\$ 63,529	\$ 0
Total Governmental Activities						<u>\$ 441,974</u>	<u>\$ 0</u>	<u>\$ 63,529</u>	<u>\$ 0</u>
Business-Type Activities									
Notes Payable									
<u>Payable through Jellico Utilities Authority</u>									
First State Bank of the Southeast Capital Outlay Note	\$ 500,000	3.3	%	1/5/2021	1/5/2024	\$ 419,551	\$ 0	\$ 197,582	\$ 0
Total Notes Payable through Jellico Utilities Authority						<u>\$ 419,551</u>	<u>\$ 0</u>	<u>\$ 197,582</u>	<u>\$ 0</u>
<u>Payable through Water and Sewer Department</u>									
Tennessee Revolving Loan Fund SRF-98-121	\$ 3,397,853	0.54	%	5/1/2002	4/30/2022	\$ 149,267	\$ 0	\$ 149,267	\$ 0
Tennessee Revolving Loan Fund DWA 09-084	810,000	0.71	%	5/1/2011	4/30/2031	412,620	0	40,658	0
Tennessee Revolving Loan Fund DWA 10-103	303,077	0.69	%	4/1/2013	3/31/2033	183,143	0	15,012	0
Tennessee Revolving Loan Fund DG2 13-134	60,000	0.23	%	11/1/2016	10/31/2036	319,169	0	20,460	0
Total Notes Payable through Water and Sewer Department						<u>\$ 149,267</u>	<u>\$ 0</u>	<u>\$ 183,143</u>	<u>\$ 0</u>
Total Notes Payable through Water and Sewer Department						<u>\$ 1,064,199</u>	<u>\$ 0</u>	<u>\$ 225,397</u>	<u>\$ 0</u>
Total Business-type Activities									<u>\$ 838,802</u>
Bonds Payable									
<u>Payable through Water and Sewer Department</u>									
Water and Sewer Revenue Bonds - Series 1998	\$ 1,253,805	4.50	%	6/3/2011	1/3/2037	\$ 923,741	\$ 0	\$ 41,906	\$ 0
Total Bonds Payable						<u>\$ 923,741</u>	<u>\$ 0</u>	<u>\$ 41,906</u>	<u>\$ 0</u>
Total Business-type Activities						<u>\$ 2,407,491</u>	<u>\$ 0</u>	<u>\$ 464,885</u>	<u>\$ 0</u>
Total Governmental Activities									<u>\$ 378,445</u>
Total Long-Term Debt									<u>\$ 1,942,606</u>

See Independent Auditor's Report.

CITY OF JELlico

SCHEDULES OF PROPERTY TAX INFORMATION

For the Year Ended June 30, 2022

Tax Year	Assessed Values	Tax Rate Per \$100	Total Levy	Balance		Adjustments, Collections, Releases and Abatements in Prior Years	Adjustments, Collections, Releases and Abatements in Current Year	Balance	
				Unpaid 7/1/2021	Levy			Unpaid 6/30/2022	
2022	\$ 27,012,047	\$ 2.15	\$ 580,759	\$ 0	\$ 580,759	\$ 0	\$ 0	\$ 580,759	
2021	25,399,674	2.15	546,093	546,093	0	0	516,327	29,766	
2020	26,242,651	2.15	564,217	24,498	0	539,719	16,047	8,451	
2019	26,693,674	2.15	573,914	29,141	0	544,773	0	29,141	
2018	26,143,209	2.15	562,079	30,577	0	531,502	0	30,577	
2017	26,823,814	2.15	576,712	32,265	0	544,447	0	32,265	
2016	26,834,558	2.15	576,943	26,709	0	550,234	0	26,709	
2015	26,896,698	2.15	578,279	11,414	0	566,865	0	11,414	
2014	27,382,698	2.15	588,728	25,146	0	563,582	0	25,146	
2013	28,381,023	2.15	610,192	43,247	0	566,945	0	43,247	
2012	16,979,628	2.15	365,062	11,849	0	353,213	11,849	0	
				\$ 780,939	\$ 580,759	\$ 4,761,280	\$ 544,223	817,475	
						Less: Allowance for Uncollectible		(206,950)	
								\$ 610,525	

Property taxes unpaid for periods prior to 2012 have been filed with the Campbell County Circuit Court Clerk.

CITY OF JELlico

SCHEDULES OF UTILITY RATES AND NUMBER OF CUSTOMERS

SCHEDULE OF WATER AND SEWER RATES

June 30, 2022

JELlico UTILITIES AUTHORITY

Residential - Schedule RS

Customer Charge - per Month	\$	18.50
Energy Charge - per kWh per Month	\$	0.10817

General Power - Schedule GSA

Part 1

Customer Charge - Per Delivery Point per Month	\$	22.75
Energy Charge - Per kWh per Month	\$	0.12031

Part 2

Customer Charge - Per Delivery Point per Month	\$	100.00
Demand Charge		
First 50 kWh of Billing Demand per Month	\$	0.00
Excess Over 50 kWh of billing demand per month per kWh	\$	13.50
Energy Charge		
First 15,000 kWh per Month per kWh	\$	0.12426
Additional kWh per Month per kWh	\$	0.07627

Part 3

Customer Charge - Per Delivery Point per Month	\$	300.00
Demand Charge		
First 1,000 kWh per Month per kWh	\$	15.31
Excess Over 1,000 kWh of Billing Demand per Month per kWh	\$	17.17

Energy Charge - All kWh per Month per kWh

Outdoor Lighting - Schedule LS

175 M MV Circular	\$	10.45
400 M MV Circular	\$	20.39
100W HPS Circular	\$	9.24
150W HPS Circular	\$	11.62
400W HPS Directional	\$	19.64
1000W HM Directional	\$	40.64
175 LED R5 Circular	\$	10.45
200 LED R5 Directional	\$	20.39
260 LED R5 Directional	\$	40.64
210 LED Cobrahead	\$	20.39
70 LED Cobrahead R2	\$	20.39

Statistical Information

Number of Customers	4,451
KWH Sold	144,574,828
KWH Purchased	148,958,245
Line Losses	2.94%

CITY OF JELlico
SCHEDULES OF UTILITY RATES AND NUMBER OF CUSTOMERS
SCHEDULE OF WATER AND SEWER RATES (Continued)

June 30, 2022

WATER AND SEWER DEPARTMENT

<u>Water Rates</u>	Inside City	Outside City
Residential		
First 1,500 Gallons (Minimum Billing)	21.06	37.00
Over 1,500 Gallons (per 1,000 Gallons)	6.26	11.78
Commercial		
First 1,500 Gallons (Minimum Billing)	22.12	38.85
Over 1,500 Gallons (per 1,000 Gallons)	6.57	12.37

Larger Meters have Separate Rate Structures

Wastewater Rates

Residential	Inside City	Outside City
First 1,500 Gallons (Minimum Billing)	23.02	38.32
Over 1,500 Gallons (per 1,000 Gallons)	7.10	14.20
Commercial		
First 1,500 Gallons (Minimum Billing)	38.32	40.23
Over 1,500 Gallons (per 1,000 Gallons)	14.20	14.91

Larger Meters have Separate Rate Structures

Number of Metered Customers

Water	1,703
Sewer	863

COMPLIANCE SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

**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**

Board of Mayor and Alderman
City of Jellico
Jellico, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparison statement of the general fund and the aggregate remaining fund information of City of Jellico, Tennessee (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2023. Our report includes a reference to other auditors who audited the financial statements of the Jellico Utilities Authority, the Jellico Water and Sewer Department and the Jellico Utilities Authority Pension Plan, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and response as items 2022-001, 2022-002 and 2022-003 that we consider to be material weaknesses.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-002 and 2022-003.

City of Jellico, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
June 29, 2023

CITY OF JELlico, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

2022-001 - Segregation of Duties

Criteria or Specific Requirements - Segregation of conflicting duties within the accounting function is a basic internal control.

Condition - We noted that some personnel are responsible for initiating, recording, and reconciling certain transactions that are not independently reviewed and approved, including processing cash receipts, authorizing disbursements, and performing the bank reconciliation.

Cause and Effect - Due to the limited size of the City's staff, there is a lack of segregation of accounting duties, which could allow fraud or errors to go undetected.

Recommendations - While a lack of segregation of accounting duties is common for smaller organizations, management and governance should evaluate the cost and benefits of providing proper segregation of duties. In areas where duties cannot be redistributed, closer supervision and/or review of transaction by management or governance may be required in order to achieve better control.

Management's Response - We concur with the finding and recommendation. Management is evaluating work processes to determine the most efficient means to achieve an adequate segregation of duties.

2022-002 - Internal Control Over Financial Reporting

Criteria or Specific Requirements - Section 9-2-102, *Tennessee Code Annotated*, states it is the duty of all local governments that are subject to the audit requirement of the Comptroller of the Treasury and that handle public funds to close their official accounting records and to have those records available for audit no later than two months after the close of the fiscal year.

Condition - Several errors were detected in the City's account balances during our audit. As a result, adjustments were proposed to correct the account balances.

Cause and Effect - Errors in account balances were not detected during the year-end close process. The improper recording of a transaction can result in misstatement of the financial statements. As such, various assets, liabilities, due to/from, revenues, expenditures and fund balances were misstated.

Recommendations - We recommend that timely account reconciliations be prepared by accounting personnel and reviewed by a member of management or governance, allowing management or governance to perform analysis to identify unusual account balances. Trial balances should be reviewed to ensure that all accounts are reconciled, and any related adjustments are posted in the correct accounting period. Analysis should include a review of transactions and journal entries reported in the financial statements to determine proper existence, accuracy, valuation, completeness, cutoff, rights and obligations.

Management's Response - We concur with the finding and recommendation. The finding is attributed to a lack of staffing due to key personnel experiencing significant health issues and an increase in workflow from the Police Department. Management will perform a detailed review of all transactions included in the financial reports. The City has contracted with a separate third-party accountant to assist in these matters.

CITY OF JELlico, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2022

2022-003 - Expenditures Exceed Appropriations

Criteria or Specific Requirements - Section 6-56-203, *Tennessee Code Annotated*, states that all money received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other provision of law, no municipality may expend moneys regardless of their source, including moneys derived from bond and long-term debt proceeds, federal, state, or private grants or loans, or special assessments, except in accordance with a budget ordinance adopted under this section.

Condition - Actual expenditures in the General Fund (Other General Government and Grant Projects) exceeded the amounts appropriated in the budget.

Cause and Effect - Actual expenditures in the General Fund (Other General Government and Grant Projects) exceeded the amounts appropriate in the budget.

Recommendations - We recommend that officials authorize all expenditures either in the original budget, in an amendment, or in a supplemental appropriation.

Management's Response - We concur with the finding and recommendation. Management will continue to perform detailed monitoring of the budget and expenditures to take appropriate action as needed.

CITY OF JELlico

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2022

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status / Current Year Finding Number
2021-001	Segregation of Duties	Repeated / 2022-001
2021-002	Financial Oversight	Repeated / 2022-002
2021-003	Failure to Reconcile Significant Asset and Liability Accounts	Repeated / 2022-002
2021-004	Closing of Official Accounting Records	Repeated / 2022-002

CITY OF JELlico, TENNESSEE

**410 South Main Street,
Jellico, TN 37762
(423) 784-6351**

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2022

2022-001: Segregation of Duties

Contact Person Responsible for Corrective Action: Marsha Bruce, City Recorder

Corrective Action Planned: We concur with the finding and recommendation. Management is evaluating work processes to determine the most efficient means to achieve an adequate segregation of duties.

Anticipated Completion Date: Management will evaluate current processes and implement corrective actions immediately.

Signature: Marsha Bruce

2022-002: Internal Control Over Financial Reporting

Contact Person Responsible for Corrective Action: Marsha Bruce, City Recorder

Corrective Action Planned: We concur with the finding and recommendation. The finding is attributed to a lack of staffing due to key personnel experiencing significant health issues and an increase in workflow from the Police Department. Management will perform a detailed review of all transactions included in the financial reports. The City has contracted with a separate third-party accountant to assist in these matters.

Anticipated Completion Date: Management will implement the corrective actions immediately.

Signature: Marsha Bruce

2022-003: Expenditures Exceed Appropriations

Contact Person Responsible for Corrective Action: Marsha Bruce, City Recorder

Corrective Action Planned: We concur with the finding and recommendation. Management will continue to perform detailed monitoring of the budget and expenditures to take appropriate action as needed.

Anticipated Completion Date: Management will implement the corrective actions immediately.

Signature: Marsha Bruce