

Financial Statements

CITY OF NIOTA, TENNESSEE

Year Ended June 30, 2022

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and Board of Commissioners
City of Niota, Tennessee
Niota, Tennessee

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of City of Niota, Tennessee as of June 30, 2022, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, the sanitation fund and the depot preservation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 12, the schedule of changes in net pension liability(asset) on pages 57 to 58 and the schedule of pension contributions on page 59 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Niota, Tennessee's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of property taxes receivable, long-term debt requirements, changes in long-term debt by individual issue and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedules of utility rates and metered customers – water and sewer fund and principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of City of Niota, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Niota, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Niota, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The script is cursive and fluid, with the first letters of "Mitchell" and "Emert" being capitalized and prominent. The plus sign is written as a simple cross.

March 20, 2023

CITY OF NIOTA
“Heart of the Sweetwater Valley”
P.O. BOX 146
NIOTA, TENNESSEE 37826
(P) 423-568-2584 (F) 423-568-3026

**Management’s Discussion and Analysis
For the Year Ended June 30, 2022**

The management of City of Niota, Tennessee (the City) presents this management’s discussion and analysis (MD&A) of the City’s financial condition and results of operations for the fiscal year ended June 30, 2022. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the City, including the water and sewer fund, known as the primary government. The government-wide financial statements include only the primary government, which is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The assets of the City were more than its liabilities at June 30, 2022 by \$5,714,804 (\$5,824,591 in 2021).
- The City’s net position decreased by \$109,787 (increased \$397,637 in 2021) or 2 percent during the year ended June 30, 2022 (7 percent during 2021).
- At June 30, 2022, the City’s governmental funds reported combined ending fund balances of \$776,555, an increase of \$135,198 from June 30, 2021. At June 30, 2021, the City’s governmental funds reported combined ending fund balances of \$641,357, an increase of \$182,268 from June 30, 2020. Of the total fund balances, \$668,233 (\$313,747 in 2021) is unassigned and available for ongoing operations.
- At June 30, 2022, the unassigned general fund balance was \$668,233 (\$313,747 in 2021) or over 89 percent (46 percent in 2021) of general fund expenditures. This demonstrates the City’s fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General government
- Public safety
- Streets and highways
- Public welfare
- Sanitation

The business-type of activities of the City include water and sewer services provided by the water and sewer fund.

The government-wide financial statements can be found on pages 13 to 18 of this report.

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

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

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund, sanitation fund and depot preservation fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the general fund, sanitation fund and depot fund and are presented on pages 24 to 30.

Proprietary Funds – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary funds-enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has one enterprise fund to account for water distribution and sewer collection.

The City's enterprise fund, the water and sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 31 to 36 in the basic financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section – This includes the auditors' report on the City's internal controls and compliance and a schedule of findings, recommendations and management responses.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2022 the City's assets exceeded its liabilities by \$5,714,804 (\$5,824,591 in 2021).

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, water and sewer facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt. At June 30 the City's statement of net position consisted of the following:

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets	\$ 2,223,284	\$ 2,138,151
Capital assets, net of accumulated depreciation	<u>3,984,122</u>	<u>4,261,734</u>
	6,207,406	6,399,884
 DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pension	<u>5,280</u>	<u>3,433</u>
 TOTAL ASSETS	 <u><u>\$ 6,212,686</u></u>	 <u><u>\$ 6,403,316</u></u>
 LIABILITIES		
Current liabilities	\$ 97,603	\$ 111,149
Noncurrent liabilities	<u>49,900</u>	<u>256,582</u>
 TOTAL LIABILITIES	 147,503	 367,731
 DEFERRED INFLOW OF RESOURCES		
Deferred tax revenue	240,275	210,995
Deferred grant revenue	108,745	0
Deferred inflows related to pension	<u>1,358</u>	<u>0</u>
	350,378	210,995
 NET POSITION		
Net investment in capital assets	3,925,023	3,992,001
Restricted	31,229	31,327
Unrestricted	<u>1,758,552</u>	<u>1,801,262</u>
 TOTAL NET POSITION	 <u><u>5,714,804</u></u>	 <u><u>5,824,591</u></u>
	 <u><u>\$ 6,212,686</u></u>	 <u><u>\$ 6,403,316</u></u>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the City during the fiscal year ended June 30:

	<u>2022</u>	<u>2021</u>
REVENUE		
Program revenue:		
Fees, fines and charges for services	\$ 1,367,753	\$ 1,386,140
Operating grants and contributions	179,333	166,909
Capital grants and contributions	23,056	85,395
General revenue:		
Local taxes	565,118	510,289
Intergovernmental	98,592	87,972
Interest income	592	998
Miscellaneous	<u>1,856</u>	<u>12,898</u>
	2,236,300	2,250,601
 EXPENSES		
General government	220,380	129,737
Public safety	304,015	279,651
Streets and highways	352,178	170,264
Public welfare	5,488	11,778
Sanitation	66,545	57,475
Water and sewer	<u>1,397,479</u>	<u>1,204,060</u>
	<u>2,346,085</u>	<u>1,852,963</u>
 Change in net position	(109,787)	397,637
 Net position at the beginning of the year	<u>5,824,591</u>	<u>5,426,954</u>
 Net position at the end of the year	<u><u>\$ 5,714,804</u></u>	<u><u>\$ 5,824,591</u></u>

Governmental Activities - Governmental activities during the year ended June 30, 2022 increased the City's net position by \$1,130 (increased by \$205,821 in 2021). The difference in the current year's result compared to the previous year is due primarily to increased housing grant expenses, decreased sidewalk grant revenue and increased paving expenses.

The City's main sources of revenue are from property tax, local option sales tax and local and state-shared taxes which consist of tax revenue shared by the State of Tennessee.

Business Type Activities - Business-type activities during the year ended June 30, 2022 decreased the City's net position by \$110,917 (increased by \$191,816 in 2021). The difference in the current year's result compared to the previous year is due to decreased water and sewer grant revenue and an increase in salaries and related expenses.

Capital Assets

The City's investment in capital assets as of June 30, 2022 was \$3,984,122 (\$4,261,734 in 2021) net of accumulated depreciation.

	<u>2022</u>	<u>2021</u>
Land	\$ 30,345	\$ 36,858
Buildings	501,956	501,956
Vehicles	263,641	263,641
Machinery and equipment	577,288	560,690
Infrastructure	17,162	17,162
Utility plant in service	2,154,670	2,154,670
Distribution and collection systems	4,657,318	4,657,318
Construction in progress	202,059	260,479
Accumulated depreciation	<u>(4,420,318)</u>	<u>(4,191,041)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 3,984,122</u>	<u>\$ 4,261,734</u>

The major capital asset additions during the year ended June 30, 2022 included:

Machinery and equipment	\$ 44,409
Construction in progress	<u>28,120</u>
	<u>\$ 72,529</u>

The City made the decision to abandon some of their construction in process due to unforeseen costs. Additional information on capital assets can be found in Note D to the financial statements.

Debt Administration

At June 30, 2022, the governmental fund had outstanding debt of \$59,100 (\$67,928 in 2021) consisting of the following:

	<u>2022</u>	<u>2021</u>
Revenue and tax bonds	\$ 59,100	\$ 67,928
Less: current portion due	<u>(9,200)</u>	<u>(8,828)</u>
Total long-term debt-principal	<u>\$ 49,900</u>	<u>\$ 59,100</u>

The City retired \$8,828 of its governmental fund debt during the year ended June 30, 2022 and none of its governmental fund debt during the year ended June 30, 2021.

At June 30, 2022, the proprietary fund had no outstanding debt. At June 30, 2021, the proprietary fund had outstanding debt of \$201,804 consisting of the following:

Revenue and tax bonds	\$ 201,804
Less: current portion due	(4,322)
Total long-term debt-principal	<u>\$ 197,482</u>

During the year ended June 30, 2022, the City retired \$201,805 (\$4,191 in 2021) of its proprietary fund debt.

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

Financial Analysis of the City's Funds

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

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

The general fund's fund balance increased by \$154,436 during the year ended June 30, 2022 (increased by \$197,507 in 2021).

The sanitation fund's fund balance decreased by \$18,880 during the year ended June 30, 2022 (\$8,928 in 2021).

The depot preservation fund's fund balance decreased by \$358 during the year ended June 30, 2022 (decreased by \$6,312 in 2021).

Proprietary Fund - The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2022, the unrestricted net position for the water and sewer fund was \$996,898 (\$1,175,463 in 2021). The difference in the current year's result compared to the previous year is due to decreased water and sewer grant revenue and an increase in salaries and related expenses.

Budgetary Highlights

During the year ended June 30, 2022, there were no amendments made to the general fund budgeted revenue. There were a few amendments made to the general fund budgeted expenditures mostly due to an increase in budgeted repairs and maintenance and gas, oil and grease expenses than originally expected. Actual revenue was less than budgeted revenue by \$422,744. Actual expenditures were less than budgeted expenditures by \$547,500.

There were no amendments in the depot preservation fund or the sanitation fund for the year ended June 30, 2022.

Economic Factors and Next Year's Budgets and Rates

The Mayor and Board of Commissioners have approved the budget for the year ending June 30, 2023. Budgeted revenue and budgeted expenditures did not vary significantly from the budget for the year ended June 30, 2022.

Requests for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the City's finances. If you have any questions or need additional information, you may contact:

Jeannie Anderson, City Recorder
City of Niota, Tennessee
P.O. Box 146
Niota, TN 37826
Telephone (423) 568-2584

CITY OF NIOTA, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 604,784	\$ 877,518	\$ 1,482,302
Certificates of deposit	0	35,871	35,871
Local Government Investment Pool	0	108,930	108,930
Accounts receivable, net of allowance for uncollectible accounts	0	173,553	173,553
Property taxes receivable, net of allowance for uncollectible accounts	256,175	0	256,175
Other taxes receivable	52,166	0	52,166
Due from other governments	22,697	0	22,697
Internal balances	107,433	(107,433)	0
Prepaid expenses	5,815	1,888	7,703
Material and supplies	0	83,886	83,886
Capital assets not being depreciated	19,000	213,404	232,404
Capital assets being depreciated, net of accumulated depreciation	<u>366,904</u>	<u>3,384,815</u>	<u>3,751,718</u>
	1,434,974	4,772,432	6,207,406
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>2,567</u>	<u>2,713</u>	<u>5,280</u>
	<u>\$ 1,437,541</u>	<u>\$ 4,775,145</u>	<u>\$ 6,212,686</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 11,501	\$ 61,044	\$ 72,545
Accrued salaries	4,739	6,681	11,420
Current portion of long-term debt	9,200	0	9,200
Net pension liability	1,420	1,266	2,686
Customer deposits	100	1,653	1,753
Long-term debt, net of current portion	<u>49,900</u>	<u>0</u>	<u>49,900</u>
	76,860	70,643	147,503
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	240,275	0	240,275
Deferred grant revenue	0	108,745	108,745
Deferred inflows related to pension	<u>718</u>	<u>640</u>	<u>1,358</u>
	240,993	109,385	350,378
NET POSITION			
Net investment in capital assets	326,804	3,598,219	3,925,023
Restricted:			
Drug enforcement	6,702	0	6,702
Depot preservation	24,527	0	24,527
Unrestricted	<u>761,654</u>	<u>996,898</u>	<u>1,758,552</u>
	<u>1,119,687</u>	<u>4,595,117</u>	<u>5,714,804</u>
	<u>\$ 1,437,541</u>	<u>\$ 4,775,145</u>	<u>\$ 6,212,686</u>

CITY OF NIOTA, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

		Program Revenue		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	<u>Expenses</u>			
Governmental Activities:				
General government	\$ 220,380	\$ 16,995	\$ 93,872	\$ 0
Public safety	304,015	39,838	0	0
Streets and highways	352,178	0	54,434	0
Public welfare	5,488	300	31,027	0
Sanitation	<u>66,545</u>	<u>47,620</u>	<u>0</u>	<u>0</u>
Total governmental activities	948,606	104,753	179,333	0
Business-Type Activities:				
Water and sewer	<u>1,397,479</u>	<u>1,263,000</u>	<u>0</u>	<u>23,056</u>
	<u>\$ 2,346,085</u>	<u>\$ 1,367,753</u>	<u>\$ 179,333</u>	<u>\$ 23,056</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (109,513)	\$ 0	\$ (109,513)
(264,177)	0	(264,177)
(297,744)	0	(297,744)
25,839	0	25,839
<u>(18,925)</u>	<u>0</u>	<u>(18,925)</u>
(664,520)	0	(664,520)
<u>0</u>	<u>(111,423)</u>	<u>(111,423)</u>
<u>\$ (664,520)</u>	<u>\$ (111,423)</u>	<u>\$ (775,943)</u>

CITY OF NIOTA, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2022

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property tax

In-lieu of tax payments

Local sales tax

Business tax

Mixed drink tax

Wholesale beer tax

Intergovernmental

Interest earnings

Miscellaneous

Total general revenue

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (664,520)	\$ (111,423)	\$ (775,943)
214,813	0	214,813
22,990	0	22,990
260,232	0	260,232
20,871	0	20,871
3,280	0	3,280
42,933	0	42,933
98,592	0	98,592
85	507	592
1,856	0	1,856
665,652	507	666,159
1,130	(110,917)	(109,787)
1,118,557	4,706,033	5,824,591
<u>\$ 1,119,687</u>	<u>\$ 4,595,117</u>	<u>\$ 5,714,804</u>

CITY OF NIOTA, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Depot Preservation Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 500,914	\$ 79,342	\$ 24,527	\$ 604,784
Property taxes receivable, net of allowance for uncollectible accounts	256,175	0	0	256,175
Prepaid expenses	5,039	775	0	5,815
Other taxes receivable	52,166	0	0	52,166
Due from other funds	112,481	4,356	0	116,836
Due from other governments	<u>22,697</u>	<u>0</u>	<u>0</u>	<u>22,697</u>
	<u>\$ 949,472</u>	<u>\$ 84,474</u>	<u>\$ 24,527</u>	<u>\$ 1,058,473</u>
LIABILITIES				
Accounts payable	\$ 8,483	\$ 3,018	\$ 0	\$ 11,501
Accrued salaries	4,739	0	0	4,739
Customer deposits	100	0	0	100
Due to other funds	<u>0</u>	<u>9,403</u>	<u>0</u>	<u>9,403</u>
	13,322	12,421	0	25,743
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	256,175	0	0	256,175
FUND BALANCES				
Nonspendable	5,039	775	0	5,815
Restricted	6,702	0	24,527	31,229
Committed	0	71,277	0	71,277
Unassigned	<u>668,233</u>	<u>0</u>	<u>0</u>	<u>668,233</u>
	<u>679,975</u>	<u>72,053</u>	<u>24,527</u>	<u>776,555</u>
	<u>\$ 949,472</u>	<u>\$ 84,474</u>	<u>\$ 24,527</u>	<u>\$ 1,058,473</u>

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

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

June 30, 2022

Total Fund Balance - Governmental Funds	\$ 776,555
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	385,904
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	15,900
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(59,100)
Net pension assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	
Net pension liability	(1,420)
Deferred outflows of resources	2,567
Deferred inflows of resources	<u>(718)</u>
Net Position of Governmental Activities	<u>\$1,119,687</u>

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2022

	General Fund	Sanitation Fund	Depot Preservation Fund	Totals
REVENUE				
Taxes:				
Property tax	\$ 213,179	\$ 0	\$ 0	\$ 213,179
In-lieu of tax payments	22,990	0	0	22,990
Local sales tax	260,232	0	0	260,232
Business tax	20,871	0	0	20,871
Mixed drink tax	3,280	0	0	3,280
Wholesale beer tax	42,933	0	0	42,933
Intergovernmental	246,897	0	0	246,897
Licenses and permits	825	0	0	825
Charges for services	0	47,665	0	47,620
Receipts for use of facilities	16,170	0	300	16,470
Fines and forfeitures	39,838	0	0	39,838
Contributions	34,712	0	0	34,712
Interest	85	0	0	85
Miscellaneous	4,585	0	54	4,683
TOTAL REVENUE	906,596	47,665	354	954,615
EXPENDITURES				
Current:				
General government	198,057	0	0	198,057
Public safety	279,014	0	0	279,014
Streets and highways	259,688	0	0	259,688
Public welfare	4,776	0	712	5,488
Sanitation	0	66,545	0	66,545
Debt service	10,625	0	0	10,625
TOTAL EXPENDITURES	752,161	66,545	712	819,417

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2022

	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Depot Preservation Fund</u>	<u>Totals</u>
NET CHANGES IN FUND BALANCES	154,436	(18,880)	(358)	135,198
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>525,539</u>	<u>90,933</u>	<u>24,885</u>	<u>641,357</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 679,975</u>	<u>\$ 72,053</u>	<u>\$ 24,527</u>	<u>\$ 776,555</u>

CITY OF NIOTA, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

Net Changes in Fund Balances - Governmental Funds	\$ 135,198
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:	
Depreciation expense	(50,403)
Disposal of land	(6,513)
Abandonment of construction in process	(86,540)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds financial statements:	
Deferred tax revenue - June 30, 2021	(14,266)
Deferred tax revenue - June 30, 2022	15,900
Repayment of long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	8,828
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 the governmental funds:	
Pension expense	(3,945)
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	2,874
Change in Net Position of Governmental Activities	<u>\$ 1,130</u>

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

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

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Taxes:				
Property taxes	\$ 210,000	\$ 210,000	\$ 213,179	\$ 3,179
Interest and penalty	250	250	0	(250)
In-lieu of tax payments	23,500	23,500	22,990	(510)
Local sales tax	195,000	195,000	260,232	65,232
Business tax	15,500	15,500	20,871	5,371
Mixed drink tax	750	750	3,280	2,530
Wholesale beer tax	37,000	37,000	42,933	5,933
	<u>482,000</u>	<u>482,000</u>	<u>563,485</u>	<u>81,485</u>
Intergovernmental:				
TVA in-lieu of tax payments	9,700	9,700	9,459	(241)
State income tax	0	0	85	85
State city streets	1,250	1,250	1,416	166
State gas and motor fuel tax	27,000	27,000	29,338	2,338
Telecommunications tax	300	300	316	16
State beer tax	350	350	353	3
State sales tax	73,000	73,000	87,602	14,602
State gaming tax	0	0	776	776
Home rehabilitation grant	81,100	81,100	70,852	(10,248)
Sidewalk grant	547,000	547,000	23,679	(523,321)
Grants	23,000	23,000	23,020	20
	<u>762,700</u>	<u>762,700</u>	<u>246,897</u>	<u>(515,803)</u>
Licenses and permits	680	680	825	145
Receipts for use of facilities	17,500	17,500	16,170	(1,330)
Fines and forfeitures	49,500	49,500	39,838	(9,662)

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other revenue:				
Contributions	10,500	10,500	34,712	24,212
Interest	60	60	85	25
Miscellaneous revenue	6,400	6,400	4,585	(1,815)
	<u>16,960</u>	<u>16,960</u>	<u>39,381</u>	<u>22,421</u>
TOTAL REVENUE	1,329,340	1,329,340	906,596	(422,744)
EXPENDITURES				
General government:				
Salaries and wages	61,855	61,855	63,734	1,879
OASDI-employer's share	4,732	4,732	4,830	98
Insurance	12,300	12,300	11,579	(721)
Professional services	19,750	19,750	21,458	1,708
Dues and publications	1,550	1,550	1,988	438
Telephone	3,500	3,500	3,176	(324)
Repairs and maintenance	870	870	313	(557)
Utilities	2,900	2,900	4,337	1,437
Postage	650	650	397	(253)
Supplies	5,500	5,500	4,965	(535)
Retirement	750	750	394	(356)
Home rehabilitation program	81,100	81,100	70,852	(10,248)
Civic activities	14,000	14,000	3,629	(10,371)
Miscellaneous	2,500	2,500	4,348	1,848
Training	2,000	2,000	1,245	(755)
	<u>213,957</u>	<u>213,957</u>	<u>197,245</u>	<u>(16,712)</u>

CITY OF NIOTA, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Legislative:				
Salaries and wages	1,200	1,200	721	(479)
OASDI-employer's share	92	92	92	0
Insurance	22	22	0	(22)
	<u>1,314</u>	<u>1,314</u>	<u>813</u>	<u>(501)</u>
Police department:				
Salaries and wages	183,320	183,320	194,203	10,883
OASDI-employer's share	13,703	13,703	14,787	1,084
Insurance	14,450	14,450	11,675	(2,775)
Utilities	2,700	2,700	2,356	(344)
Fees	3,550	3,550	3,916	366
Telephone and internet	4,500	4,500	4,234	(266)
Repairs and maintenance	2,750	4,250	2,383	(1,867)
Gas, oil and grease	5,500	5,500	7,952	2,452
Supplies	4,200	4,200	2,394	(1,806)
Retirement	1,970	1,970	1,956	(14)
Contract labor	300	300	0	(300)
Professional services	11,570	11,570	11,206	(364)
Small equipment	2,500	2,500	1,445	(1,055)
Training	1,000	1,000	504	(496)
Sundry	1,800	1,800	1,833	33
	<u>253,813</u>	<u>255,313</u>	<u>260,847</u>	<u>5,534</u>
Fire department:				
Salaries and wages	7,152	7,152	7,141	(11)
OASDI-employer's share	540	540	546	6
Insurance	2,280	2,280	1,997	(283)
Utilities	1,325	1,325	1,281	(44)
Repairs and maintenance	750	750	225	(525)
Gas, oil and grease	750	750	288	(462)

CITY OF NIOTA, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Fire department(continued):				
Supplies	250	250	139	(111)
Donations	500	500	5,000	4,500
Professional services	<u>1,650</u>	<u>1,650</u>	<u>1,550</u>	<u>(100)</u>
	15,197	15,197	18,168	2,971
Highways and streets:				
Salaries and wages	97,560	97,560	90,020	(7,540)
OASDI-employer's Share	7,500	7,500	6,936	(564)
Insurance	5,950	5,950	6,057	107
Utilities	18,850	18,850	19,623	773
Telephone	450	450	2,447	1,997
Repairs and maintenance	91,500	91,500	98,103	6,603
Gas, oil and grease	4,500	6,250	6,326	76
Small items of equipment	750	750	0	(750)
Professional services	5,250	5,250	4,782	(468)
Retirement	600	600	528	(72)
Supplies	10,500	10,500	6,133	(4,367)
Paving	547,000	547,000	18,432	(528,568)
Memberships and registrations	<u>1,500</u>	<u>1,500</u>	<u>300</u>	<u>(1,200)</u>
	791,910	793,660	259,688	(533,972)
Parks	7,000	7,000	4,002	(2,998)
Library:				
Insurance	100	100	100	0
Utilities	750	750	576	(174)

CITY OF NIOTA, TENNESSEE

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

(continued)

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Library(continued):				
Telephone	250	250	97	(153)
Professional services	<u>620</u>	<u>620</u>	<u>0</u>	<u>(620)</u>
	1,720	1,720	774	(946)
Debt service	<u>11,500</u>	<u>11,500</u>	<u>10,625</u>	<u>(875)</u>
TOTAL EXPENDITURES	<u>1,296,411</u>	<u>1,299,661</u>	<u>752,161</u>	<u>(547,500)</u>
NET CHANGES IN FUND BALANCE	32,929	29,679	154,436	124,757
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>525,539</u>	<u>525,539</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 32,929</u>	<u>\$ 29,679</u>	<u>\$ 679,975</u>	<u>\$ 650,296</u>

CITY OF NIOTA, TENNESSEE

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

Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Charges for services	\$ 50,400	\$ 50,400	\$ 47,665	\$ (2,735)
EXPENDITURES				
Salaries and wages	36,740	36,740	25,351	(11,389)
OASDI-employer's share	2,800	2,800	1,960	(840)
General liability and property insurance	3,000	3,000	3,082	82
Workers' compensation insurance	4,000	4,000	3,000	(1,000)
Unemployment insurance	126	126	87	(39)
Landfill fees	400	400	196	(204)
Data processing	1,500	1,500	1,500	0
Professional services	1,500	1,500	1,500	0
Contractual services	28,644	28,644	29,838	1,194
Miscellaneous	250	250	33	(217)
TOTAL EXPENDITURES	<u>78,960</u>	<u>78,960</u>	<u>66,545</u>	<u>(12,415)</u>
NET CHANGES IN FUND BALANCE	(28,560)	(28,560)	(18,880)	9,680
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>28,560</u>	<u>28,560</u>	<u>90,933</u>	<u>62,373</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72,053</u>	<u>\$ 72,053</u>

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

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

Year Ended June 30, 2022

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Festival fees	\$ 2,000	\$ 2,000	\$ 0	\$ (2,000)
Receipts for use of facilities	4,000	4,000	300	(3,700)
Miscellaneous	<u>2,116</u>	<u>2,116</u>	<u>54</u>	<u>(2,062)</u>
TOTAL REVENUE	8,116	8,116	354	(7,762)
EXPENDITURES				
Supplies	1,600	1,600	212	(1,388)
Professional services	0	0	500	500
Repairs and maintenance	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
TOTAL EXPENDITURES	<u>2,600</u>	<u>2,600</u>	<u>712</u>	<u>(1,888)</u>
NET CHANGES IN FUND BALANCE	5,516	5,516	(358)	(5,874)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>24,885</u>	<u>24,885</u>
FUND BALANCE AT THE END OF THE YEAR	<u><u>\$ 5,516</u></u>	<u><u>\$ 5,516</u></u>	<u><u>\$ 24,527</u></u>	<u><u>\$ 19,011</u></u>

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE
STATEMENT OF NET POSITION
WATER AND SEWER FUND

June 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 877,518
Certificates of deposit	35,871
Local Government Investment Pool	108,930
Accounts receivable, net of allowance for uncollectible accounts of \$73,000	173,553
Prepaid expenses	1,888
Material and supplies	<u>83,886</u>

TOTAL CURRENT ASSETS 1,281,647

CAPITAL ASSETS

Land	\$ 11,345	
Equipment	510,762	
Distribution and collection systems	5,215,274	
Utility plant in service	1,565,466	
Construction in progress	<u>202,059</u>	
	7,504,906	
	<u>(3,906,687)</u>	3,598,219

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>2,713</u>
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\$ 4,882,579

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION**CURRENT LIABILITIES**

Accounts payable		\$	61,044
Accrued salaries			6,681
Due to general fund			107,433
Net pension liability			1,266
Customer deposits			<u>1,653</u>
			178,077

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	\$	640	
Deferred grant revenue		<u>108,745</u>	109,385

NET POSITION

Net investment in capital assets		3,598,219	
Unrestricted		<u>996,898</u>	<u>4,595,117</u>
			<u>\$ 4,882,579</u>

CITY OF NIOTA, TENNESSEE

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

Year Ended June 30, 2022

OPERATING REVENUE

Charges for services	\$ 1,203,117
Other operating revenue	<u>59,883</u>

TOTAL OPERATING REVENUE 1,263,000

OPERATING EXPENSES

Salaries and wages	\$ 265,899
OASDI-employer's share	20,411
Retirement	3,524
Insurance	6,274
Rent	13,500
Purchased water	365,141
Utilities	46,800
Telephone and internet	5,592
Professional services	175,268
Repairs and maintenance	15,286
Gas, oil and grease	11,908
Licenses and fees	7,459
Operating supplies	60,901
Lab testing	19,562
Postage	5,818
Contract labor	129,655
General liability and property insurance	18,932
Miscellaneous	1,260
Bad debt	1,269
In-lieu of tax payments	10,000
Depreciation	<u>205,935</u>

TOTAL OPERATING EXPENSES 1,390,395

(LOSS) FROM OPERATIONS (127,394)

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

WATER AND SEWER FUND

(continued)

Year Ended June 30, 2022

NONOPERATING REVENUE(EXPENSE)

Loss on disposal of asset	(750)	
Interest income	507	
Interest expense	<u>(6,335)</u>	<u>(6,578)</u>

(LOSS) BEFORE CAPITAL CONTRIBUTIONS (133,973)

Capital contributions 23,056

CHANGE IN NET POSITION (110,917)

NET POSITION AT THE BEGINNING OF THE YEAR 4,706,033

NET POSITION AT THE END OF THE YEAR \$ 4,595,117

CITY OF NIOTA, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

Year Ended June 30, 2022

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

Cash received from customers	\$ 1,260,127
Cash paid to suppliers	(846,430)
Cash paid to employees	<u>(265,899)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

147,798

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

Acquisition of capital assets	\$ (72,529)
Capital contributions	154,329
Principal payments on long-term debt	(201,805)
Interest paid on debt	<u>(6,335)</u>

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

(126,340)

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Interest received	<u>507</u>
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NET INCREASE IN CASH

21,965

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

964,483

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

\$ 986,448

See the accompanying notes to the financial statements.

CITY OF NIOTA, TENNESSEE

STATEMENT OF CASH FLOWS
WATER AND SEWER FUND

(continued)

Year Ended June 30, 2022

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

(Loss) from operations \$ (127,394)

Adjustments to reconcile (loss) from operations to net
cash provided by operating activities:

Depreciation \$ 205,935

Pension expense 3,524

Retirement contributions (2,403)

(Increase)decrease in:

Accounts receivable (2,873)

Materials and supplies (27,825)

Due to other funds 110,841

Prepaid expenses 1,056

Increase(decrease) in:

Accounts payable (10,046)

Accrued salaries (913)

Other accrued liabilities (402)

Customer deposits (1,702) 275,192

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

\$ 147,798

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

NOTE A - DESCRIPTION OF ORGANIZATION

City of Niota, Tennessee (the City) was incorporated under Chapter 48 of the Private Acts of 1919, as amended by Chapter 15 of the Private Acts of 2013. The City operates under a Mayor-Board of Commissioners form of government and provides the following services as authorized by its charter: finance and taxation, public safety, streets and highways, sanitation and utilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Niota, Tennessee. The financial statements presented herein do not include agencies which have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2022 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the City is October 1 of the ensuing fiscal year. Such taxes become delinquent on March 1. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous ten fiscal years. These property tax receivables are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *sanitation fund* is used to account for the solid waste service charge legally committed for solid waste management.

The *depot preservation fund* is used to account for revenue legally committed for maintaining and restoring the local train depot.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer departments, which operate and maintain a water distribution and sewer collection system for residents and businesses on a user charge basis. All activities necessary to provide these services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2022.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenue reported in the various functions concerned.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net investment in capital assets at June 30, 2022 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 899,535
Accumulated depreciation	(513,631)
Principal balance on long-term debt	<u>(59,100)</u>
	<u>\$ 326,804</u>

Business-Type Activities:

Capital assets	\$ 7,504,904
Accumulated depreciation	<u>(3,906,687)</u>
	<u>\$ 3,598,219</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Certain net position of the general fund is restricted for drug enforcement. The City's share of motor fuel tax revenue is restricted to the maintenance of streets within the City's boundaries. Net position of the depot preservation fund is classified as restricted net position because its use is limited to restore, revitalize, remodel and maintain the City of Niota Depot. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Unrestricted

This category includes net position that are not subject to externally imposed stipulations and that do not meet the definition of “Restricted” or “Net Investment in Capital Assets”. Unrestricted net position may be designated for specific purposes by action of management or the Mayor and Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts paid for prepaid expenses and inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The Board of Commissioners commits resources for specific purposes by passing ordinances.

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Commissioners.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

The Mayor and Board of Commissioners are required to adopt, by ordinance, total budget appropriations by department for all funds. The City's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Mayor and Board of Commissioners. Unused appropriations lapse at the end of the year.

Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more (\$5,000 for infrastructure assets) and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Compensated Absences

City employees are granted vacation in varying amounts and may accumulate a maximum of 15 vacation leave days. The City's policies do not provide for an employee to be paid for any unused vacation leave in the event of termination. The total accumulated compensated absences for governmental funds as of June 30, 2022 was \$4,739. The total accumulated compensated absences for proprietary funds as of June 30, 2022 was \$6,681.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Materials and Supplies

Materials and supplies of the proprietary fund are valued at the lower of cost (determined on a first-in, first-out basis) or market.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts receivable and property taxes receivable is provided based upon historical trends. The allowances for uncollectible accounts at June 30, 2022, were as follows:

Governmental funds	\$ 5,000
Proprietary fund	73,000

Pension

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

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2022 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ 400	\$ 600
Checking and savings accounts	604,584	986,048	1,590,632
Certificates of deposit	<u>0</u>	<u>35,871</u>	<u>35,871</u>
Total	<u>\$ 604,784</u>	<u>\$ 1,022,319</u>	<u>\$ 1,627,103</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. All cash balances at June 30, 2022 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 25,513	\$ 0	\$ (6,513)	\$ 19,000
Construction in progress	<u>86,540</u>	<u>0</u>	<u>(86,540)</u>	<u>0</u>
	112,052	0	(93,053)	19,000
<u>Capital assets being depreciated</u>				
Buildings	501,956	0	0	501,956
Vehicles	263,641	0	0	263,641
Machinery and equipment	118,687	0	(20,911)	97,776
Infrastructure	<u>17,162</u>	<u>0</u>	<u>0</u>	<u>17,162</u>
	901,446	0	(20,911)	880,535
<u>Accumulated depreciation</u>				
Buildings	(231,056)	(17,257)	0	(248,314)
Vehicles	(161,230)	(21,331)	0	(182,560)
Machinery and equipment	(74,692)	(11,815)	20,911	(65,595)
Infrastructure	<u>(17,162)</u>	<u>(0)</u>	<u>0</u>	<u>(17,162)</u>
	<u>(484,139)</u>	<u>(50,403)</u>	<u>20,911</u>	<u>(513,631)</u>
	<u>\$ 529,359</u>	<u>\$ (50,403)</u>	<u>\$ (93,053)</u>	<u>\$ 385,904</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

General government	\$ 20,379
Public safety	24,268
Streets and highways	<u>5,756</u>
	<u>\$ 50,403</u>

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Business-Type Activities:				
<u>Capital assets not</u>				
<u>being depreciated</u>				
Land	\$ 11,345	\$ 0	\$ 0	\$ 11,345
Construction in progress	<u>173,939</u>	<u>28,120</u>	<u>0</u>	<u>202,059</u>
	185,284	28,120	0	213,404
<u>Capital assets being depreciated</u>				
Utility plant in service	2,154,670	0	0	2,154,670
Distribution and collection systems	4,657,318	0	0	4,657,318
Machinery and equipment	<u>442,003</u>	<u>44,409</u>	<u>(6,900)</u>	<u>479,512</u>
	7,253,992	44,409	(6,900)	7,291,500
<u>Accumulated depreciation</u>				
Utility plant in service	(816,098)	(54,138)	0	(870,236)
Distribution and collection systems	(2,687,741)	(112,639)	0	(2,800,380)
Machinery and equipment	<u>(203,063)</u>	<u>(39,158)</u>	<u>6,150</u>	<u>(236,071)</u>
	<u>(3,706,902)</u>	<u>(205,935)</u>	<u>6,150</u>	<u>(3,906,687)</u>
	<u>\$ 3,732,374</u>	<u>\$ (133,406)</u>	<u>\$ (750)</u>	<u>\$ 3,598,218</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE E - DEBT

Long-term debt at June 30, 2022 consisted of the following:

Governmental Activities:

Police Department Vehicle Purchase Capital Outlay Note, Series 2020, interest at 2.83% until maturity in 2028	\$ 59,100
Less current maturities	<u>(9,200)</u>
	<u>\$ 49,900</u>

The taxing authority of the City are pledged for the repayment of the principal and interest maturities. No interest was capitalized during the year ended June 30, 2022.

Maturities of long-term debt as of June 30, 2022 are as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 9,200	\$ 1,542	\$ 10,742
2024	9,400	1,279	10,679
2025	9,700	1,009	10,709
2026	10,000	730	10,730
2027	10,300	443	10,743
2028	<u>10,500</u>	<u>149</u>	<u>10,649</u>
	<u>\$ 59,100</u>	<u>\$ 5,152</u>	<u>\$ 64,252</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

	<u>Balance</u> <u>7/1/21</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/22</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Capital outlay note, series 2020	\$ <u>67,928</u>	\$ <u>0</u>	\$ <u>8,828</u>	\$ <u>59,100</u>	\$ <u>9,200</u>
<u>Business-Type Activities:</u>					
Water and Sewer Revenue Bond, Series 2011	\$ <u>201,805</u>	\$ <u>0</u>	\$ <u>201,805</u>	\$ <u>0</u>	\$ <u>0</u>

Interest costs incurred for the year ended June 30, 2022 were \$1,797 for governmental activities and \$6,280 for business-type activities, all of which were charged to expense.

NOTE F - PENSION PLAN

Plan Description

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

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1/2%. A 1 % COLA is granted if the CPI change is between 1/2% and 1 %. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>10</u>
	<u>11</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the City were \$5,280 based on a rate of 1.10% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability(asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Changes of Assumption

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

Discount Rate

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Changes for the year ended June 30, 2021:			
Increase(decrease):			
Service cost	\$ 0	\$ 0	\$ 0
Interest	0	0	0
Differences between expected and actual experience	0	0	0
Changes in benefit terms	23,346	0	23,346
Changes in assumptions	0	0	0
Contributions-employer	0	3,416	(3,416)
Contributions-employees	0	15,525	(15,525)
Net investment income	0	2,360	(2,360)
Benefit payments, including refunds of employee contributions	0	0	0
Administrative expense	0	(641)	641
Net changes for the year ended June 30, 2021	23,346	20,660	2,686
Balance at June 30, 2020	0	0	0
Balance at June 30, 2021	<u>\$ 23,346</u>	<u>\$ 20,660</u>	<u>\$ 2,686</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability(asset)	\$ 7,518	\$ 2,686	\$ (1,188)

Pension Expense

For the year ended June 30, 2022, the City recognized pension expense of \$7,460.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the City 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	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	1,358
Changes in assumptions	0	0
Contributions subsequent to the measurement date of June 30, 2021	5,280	not applicable
Totals	\$ 5,280	\$ 1,358

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

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

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

<u>Year Ending</u> <u>June 30:</u>	
2023	\$ (339)
2024	(339)
2025	(339)
2026	(339)
2027	0
Thereafter	0

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

NOTE G - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for all its insurance coverage including workers' compensation, general liability, destruction of property and errors and omissions. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the City. It is not possible to estimate the amount of such additional assessments or refunds, if any.

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE H – CHANGE IN RESTRICTED NET POSITION

	<u>Drug Enforcement</u>	<u>State Street Aid</u>
Balance, July 1, 2021	\$ 6,442	\$ 0
Received	260	29,338
Current expenditures	0	(259,688)
Expended from unrestricted funds	<u>0</u>	<u>230,350</u>
Balance, June 30, 2022	<u>\$ 6,702</u>	<u>\$ 0</u>

NOTE I – INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2022, are a result of amounts billed by the water and sewer fund not being remitted to the sanitation fund by June 30, 2022; payroll amounts paid by the general fund not being remitted by the water and sewer fund by June 30, 2022; payroll amounts paid by the general fund not being remitted by the sanitation fund by June 30, 2022; and amounts owed to the general fund by the water and sewer fund for rent and in-lieu of taxes. These balances are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 103,077
General fund	Sanitation fund	9,403
Sanitation fund	Water and sewer fund	<u>4,356</u>
		<u>\$ 116,836</u>

CITY OF NIOTA, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2022

NOTE J – COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2022, the City entered into a three-year contract with the McMinn County Emergency Communications Board for dispatching services totaling \$26,870 through 2021. As of June 30, 2022, \$18,350 of the commitment remained.

Prior to June 30, 2022, the City entered into contracts totaling \$209,950 related to the CDBG grant; \$129,955 has been expended as of June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NIOTA, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2022

	Measurement Date at June 30, 2021
<u>Total pension liability(asset)</u>	
Service cost	\$ 0
Interest	0
Changes in benefit terms	23,346
Differences between actual and expected experience	0
Change of assumptions	0
Benefit payments, including refunds of employee contributions	0
Net change in total pension liability	23,346
Total pension liability - beginning	0
Total pension liability - ending (a)	23,346
<u>Plan fiduciary net position</u>	
Contributions - employer	3,416
Contributions - employee	15,525
Net investment income	2,360
Benefit payments, including refunds of employee contributions	0
Administrative expense	(641)
Net change in plan fiduciary net position	20,660
Plan fiduciary net position - beginning	0
Plan fiduciary net position - ending (b)	20,660
Net pension liability(asset) - ending (a) - (b)	\$ 2,686

CITY OF NIOTA, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

(continued)

June 30, 2022

Measurement
Date at
June 30,
2021

Plan fiduciary net position as a percentage of total net pension liability	88.49%
Covered employee payroll	\$ 310,498
Net pension liability(asset) as a percentage of covered employee payroll	0.87%

Notes to Schedule

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

Changes of Assumptions

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

See the accompanying independent accountants' audit report.

CITY OF NIOTA, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2022

	Year Ended June 30, 2022	2021
Actuarially determined contribution	\$ 5,280	\$ 3,416
Contributions in relation to the actuarially determined contribution	(5,280)	(3,416)
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 480,000	\$ 310,498
Contributions as a percentage of covered employee payroll	1.10%	1.10%

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

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determined contribution rates:

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

See the accompanying independent accountants' audit report.

SUPPLEMENTARY INFORMATION

CITY OF NIOTA, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2022

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2021</u>
2022	\$ 1.41	\$ 17,040,150	\$ 240,275	\$ 0
2021	1.21	17,435,910	210,995	210,995
2020	1.21	17,479,419	211,523	4,236
2019	1.21	17,702,267	214,215	3,260
2018	1.01	17,625,224	178,032	2,670
2017	1.02	17,019,536	173,198	1,923
2016	1.02	16,239,794	165,159	1,306
2015	1.02	16,627,143	169,095	1,405
2014	1.02	16,854,985	171,526	1,255
2013	1.02	16,243,129	165,301	1,211
2012	1.00	16,493,037	164,985	<u>0</u>
				<u>\$ 228,261</u>

Property taxes unpaid for 2012 through 2020 have been filed with the McMinn County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2022</u>
\$ 240,275	\$ 0	\$ 0	\$ 240,275
0	5,805	203,688	13,112
0	0	2,547	1,689
0	0	1,792	1,468
0	0	1,137	1,533
0	0	1,266	657
0	0	737	569
0	0	723	682
0	0	717	538
0	0	559	652
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 240,275</u>	<u>\$ 5,805</u>	<u>\$ 213,167</u>	<u>\$ 261,175</u>

CITY OF NIOTA, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2022

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Police Department Vehicle			
Purchase Capital Outlay			
Note, Series 2020, 2.83%			
Year Ending			
<u>June 30:</u>			
2023	\$ 9,200	\$ 1,542	\$ 10,742
2024	9,400	1,279	10,679
2025	9,700	1,009	10,709
2026	10,000	730	10,730
2027	10,300	443	10,743
2028	<u>10,500</u>	<u>149</u>	<u>10,649</u>
	<u>\$ 59,100</u>	<u>\$ 5,153</u>	<u>\$ 64,253</u>

See the accompanying independent accountants' audit report.

CITY OF NIOTA, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2022

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<u>Governmental Activities</u>			
Police Department Vehicle Purchase Capital Outlay Note, Series 2020	\$ 67,928	2.830 %	6/30/2021
<u>Business-Type Activities</u>			
Water and Sewer Revenue and Tax Bond, Series 2011	\$ 237,000	3.000 %	6/30/2012

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2021</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2022</u>
6/30/2028	\$ 67,928	\$ 0	\$ 8,828	\$ 0	\$ 59,100
6/30/2051	\$ 201,805	\$ 0	\$ 201,805	\$ 0	\$ 0

CITY OF NIOTA, TENNESSEE

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

Year Ended June 30, 2022

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Office of Community Planning and Development/ Tennessee Department of Economic and Community Development	14.228	12026	\$ 23,056
U.S. Department of Transportation/ Tennessee Department of Transportation	20.301	HSIP-R-1233	23,679
U.S. Department of Economic and and Community Development/ Tennessee Department of Economic and Community Development	14.239	HM1720-005	<u>70,852</u>
Total Federal Awards			117,587
<u>State Financial Assistance</u>			
Tennessee Department of Finance and Administration	N/A	N/A	<u>23,020</u>
Total Federal Awards and State Financial Assistance			<u>\$ 140,607</u>

See the accompanying independent accountants' audit report.

CITY OF NIOTA, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Niota, Tennessee under programs of the federal and state governments for the year ended June 30, 2022. The schedule is presented using the accrual basis of accounting. Because this schedule presents only a selected portion of the operations of City of Niota, Tennessee, it is not intended and does not present the net position or changes in net position of City of Niota, Tennessee.

OTHER INFORMATION

CITY OF NIOTA, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS
WATER AND SEWER FUND

June 30, 2022

	<u>Water</u>	<u>Sewer</u>
Inside City limits:		
First 2,000 gallons (minimum billing)	\$ 13.98	\$ 13.98
Next 2,000 gallons (per thousand)	10.13	10.13
Over 4,000 gallons (per thousand)	7.88	7.88
Outside City limits:		
First 2,000 gallons (minimum billing)	20.40	20.40
Next 2,000 gallons (per thousand)	15.38	15.38
Over 4,000 gallons (per thousand)	11.63	11.63
Multiple Meter:		
First 2,000 gallons (minimum billing)	27.35	27.35
Next 2,000 gallons (per thousand)	10.13	10.13
Over 4,000 gallons (per thousand)	7.88	7.88
Industrial:	7.88	7.88
Number of Metered Customers	1,392	269

See the accompanying independent accountants' audit report.

CITY OF NIOTA, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2022

Lois Preece, Mayor
Mark Ward, Commissioner
David Dilbeck, Commissioner
Tony Manney, Commissioner
Renee Brakebill, Commissioner
Jeannie Anderson, CMFO, City Recorder

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Mayor and Board of Commissioners
City of Niota, Tennessee
Niota, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, business-type activities and each major fund of City of Niota, Tennessee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Niota, Tennessee's basic financial statements, and have issued our report thereon dated March 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Niota, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Niota, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Niota, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The script is cursive and fluid, with the first names being more prominent than the last name.

March 20, 2023

CITY OF NIOTA, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2022

There were no prior year findings reported.