

AUDIT REPORT

TOWN OF RUTLEDGE, TENNESSEE

Year Ended June 30, 2022

Fred Sykes

Mayor

Benny Atkins

Aldersperson

Alex Myers

Aldersperson

Martha Cameron

Aldersperson

Jason Day

Aldersperson

Stacy Harbin

City Recorder/Finance Director CMFO

TOWN OF RUTLEDGE, TENNESSEE

TABLE OF CONTENTS

	<u>Page</u>
Roster of City Officials	1
Independent Accountants' Audit Report	2-4
Management's Discussion and Analysis	5-9
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	14-17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Drug Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Fund	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21-22
Statement of Cash Flows – Proprietary Funds	23-24
Notes to the Financial Statements	25-38
Required Supplementary Information	
Changes in Net Pension Liability (Asset)	39
Pension Contributions	40

TOWN OF RUTLEDGE, TENNESSEE

TABLE OF CONTENTS (CONTINUED)

Other Supplementary Information

Schedule of Water and Sewer Rates	41
Schedule of Salaries of Principal Officials	42
Expenditures of Federal Awards and State Financial Assistance	43
Schedule of Unaccounted for Water	44-45

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 <i>Government Auditing Standards</i>	46-47
Schedule of Audit Findings and Recommendations	48-49
Summary of Prior Year Findings	50
Management's Corrective Action Plan	51

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CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Alderman
Rutledge, Tennessee

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Rutledge, Tennessee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Rutledge, 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 the Town of Rutledge, Tennessee, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Community Development Fund and the Drug 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 the Town of Rutledge, 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 these 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 the Town of Rutledge, Tennessee's ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Rutledge, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Rutledge, 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 the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 knowledge 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 the Town of Rutledge, 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 salaries of principal officials, unaccounted for water, and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relates 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 roster of city officials and schedule of water and sewer rates 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 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 18, 2023 on our consideration of the Town of Rutledge, Tennessee's internal control over financial reporting and 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 Town of Rutledge, 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 the Town of Rutledge, Tennessee's internal control over financial reporting and compliance.



Duane Cline, CPA, LLC

March 18, 2023

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

The management of Town of Rutledge, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town'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 Town, 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 Town were more than its liabilities at year-end 2022 by \$6,880,405 and 2021 by \$6,500,596.
- The Town's net position increased by \$379,810 (5.84 percent) during 2022 and increased by \$492,829 (8.20 percent) during 2021.
- At 2021 year-end, the Town's governmental funds reported combined ending net position balances of \$2,763,854 an increase of \$110,524. At 2022 year-end, the Town's governmental funds reported combined ending fund balances of \$2,906,786 an increase of \$142,932. As of June 30, 2022, \$1,175,219 (\$1,062,660 for 2021) was unreserved and available for ongoing operations. At 2021 year-end, the business-type funds reported combined ending net position balances of \$3,736,742 an increase of \$382,305. At 2022 year-end the Town's business-type funds reported a combined ending net position of \$3,973,619, an increase of \$236,878.
- At June 30, 2022 the unreserved General Fund Balance was \$871,209, (\$793,336 for 2021) or 1.46 percent (1.21 percent for 2021) of General Fund expenditures, and at June 30, 2022 the unreserved Business-Type Fund Balance was \$1,236,343, (\$1,212,008 for 2021) or 1.73 percent of expenditures (1.80 percent for 2021). This demonstrates the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town 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 Town of Rutledge's basic financial statements. The Town'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 Town’s finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town’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 Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, 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 Town 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 Town include the following:

- General government
- Public Safety
- Public Works
- Health and Welfare
- Community Development

The business-type of activities of the Town consists of water and sewer services. The government-wide financial statements can be found on pages 10 to 11 of this report.

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

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, 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 government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains four governmental fund(s). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund. To demonstrate compliance with the budget, budgetary comparison statements have been provided and are presented on pages 14 to 19.

Proprietary Funds – Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The Town 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 Town has one enterprise fund to account for water and sewer collection activities.

The Town’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 20 to 24 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’ reports on the Town’s internal controls and compliance and a schedule of findings and responses.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town’s assets exceeded its liabilities by \$6,530,421 for 2021 and \$6,880,405 for 2022. By far, the largest portion of the Town’s net position reflects its investment in capital assets (e.g., land, buildings, water facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town 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 year-end 2021 and 2022, the Town’s statement of net position consisted of the following:

	<u>2021</u>	<u>2022</u>
Current Assets	\$2,448,075	\$2,748,290
Other Assets	<u>4,416,630</u>	<u>4,776,194</u>
Total Assets	<u>\$6,864,705</u>	<u>\$7,524,484</u>
Current Liabilities	\$ 150,572	\$ 218,918
Other Liabilities	213,537	425,161
Net Position:		
Net investment in capital assets	3,980,742	4,139,411
Restricted	245,186	329,432
Unrestricted	<u>2,274,668</u>	<u>2,411,562</u>
Total Liabilities and Net Position	<u>\$6,864,705</u>	<u>\$7,524,484</u>

A portion of the Town’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.

The following is a summary of financial activities for the Town during each fiscal year:

	<u>2021</u>	<u>2022</u>
REVENUE		
Program revenue:		
Fees, fines and charges for services	\$ 116,872	\$ 157,547
Grants and contributions	135,207	196,117
General revenue:		
Local taxes	325,083	396,900
State and federal	158,297	123,204
Interest	<u>1,751</u>	<u>1,945</u>
Total Revenue	<u>737,210</u>	<u>875,713</u>
 EXPENSES		
General Government	188,394	222,497
Public Safety	189,640	202,867
Public Works	210,640	239,197
Community Development	<u>38,008</u>	<u>53,220</u>
Total Expenses	<u>626,686</u>	<u>717,781</u>
 Change in net position	110,524	157,932
 Transfers to Other Funds	<u>-0-</u>	<u>(15,000)</u>
 Net Change in net position	110,524	142,932
 Net position at the beginning of the year	<u>2,653,330</u>	<u>2,763,854</u>
 Net position at the end of the year	<u>\$2,763,854</u>	<u>\$2,906,786</u>

Governmental Activities - Governmental activities increased the Town's net position by \$110,524 in 2021 and increased by \$142,932 in 2022. The increases are primarily due to grant increases. The Town's main source of revenue is from local option sales tax, local and state-shared taxes which consist of tax revenue shared by the State of Tennessee.

Business Type Activities - Business-type activities increased the Town's net position by \$382,305 in 2021, increased net position by \$236,878 in 2022.

Capital Assets

The Town's investment in capital assets as of June 30, 2022 was \$3,838,647 (\$3,980,741 in 2021) net of accumulated depreciation.

	<u>2021</u>	<u>2022</u>
Capital Assets-net		
Land	\$ 240,843	\$ 240,843
Equipment	494,028	553,886
Structures and improvements	1,952,894	1,964,894
Sewer treatment plant	1,969,791	2,277,297
Water system	<u>3,168,589</u>	<u>3,168,589</u>
 Total Capital Assets	7,826,145	8,205,509
Accumulated depreciation	<u>3,845,404</u>	<u>4,066,095</u>
 Total capital assets, net of accumulated depreciation	<u>\$3,980,741</u>	<u>\$4,139,414</u>

The major capital asset additions were as follows:

	<u>2021</u>	<u>2022</u>
Water/Sewer System	\$344,100	\$307,506
Structures and Improvements	5,869	12,000
Equipment	<u>-0-</u>	<u>59,858</u>
Total	<u>\$349,969</u>	<u>\$379,364</u>

Debt Administration

At June 30, 2021 and 2022, the governmental funds and proprietary funds had no outstanding debt.

Financial Analysis of the Town's Funds

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

Governmental Funds The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved 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 \$143,338 during 2021 and increased by \$77,873 during 2022. The increases are primarily due to increases in grant revenues.

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

The 2022 unrestricted net position for the Water and Sewer Fund is \$1,236,343 (\$1,212,008 in 2021).

General Fund Budgetary Highlights

There was an increase of approximately \$130,045 between the original budgeted and the final amended budgeted expenses for the General Fund. This increase was largely due to grant activity.

Economic Factors and Next Year's Budgets and Rates

The Town Council has approved the budget for the year ended June 30, 2023. The estimated revenue and appropriations 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 Town's finances. If you have any questions or need additional information, you may contact:

Stacy Harbin, Finance Director/City Recorder, CFMO
P.O. Box 36
Rutledge, TN 37861
Telephone 865-828-4513

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 770,399	\$ 498,488	\$ 1,268,887
Certificates of Deposit	435,967	839,434	1,275,401
Accounts Receivable - Due within one year	123,728	61,490	185,218
Prepays	12,481	6,303	18,784
Total Current Assets	1,342,575	1,405,715	2,748,290
<u>Non-Current Assets</u>			
Non-depreciable capital assets	247,747	5,096	252,843
Capital Assets, net	1,291,261	2,595,307	3,886,568
Net Pension Asset	208,853	159,715	368,568
Total Non-Current Assets	1,747,861	2,760,118	4,507,979
TOTAL ASSETS	3,090,436	4,165,833	7,256,269
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow Related to Pensions	157,845	110,370	268,215
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,248,281	\$ 4,276,203	\$ 7,524,484
 LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 5,596	\$ 78,426	\$ 84,022
Accrued Payroll/Leave	49,590	72,781	122,371
Customer Deposits	-	12,525	12,525
Total Current Liabilities	55,186	163,732	218,918
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to Pensions	198,577	138,852	337,429
Deferred Grant Revenue	87,732	-	87,732
Total Deferred Inflows	286,309	138,852	425,161
NET POSITION			
Net investment in capital assets	1,539,008	2,600,403	4,139,411
Restricted for:			
Insurance	14,112	5,640	19,752
Drug Fund	10,326	-	10,326
Net Pension Asset	168,121	131,233	299,354
Unrestricted	1,175,219	1,236,343	2,411,562
TOTAL NET POSITION	2,906,786	3,973,619	6,880,405
TOTAL LIABILITIES AND NET POSITION	\$ 3,248,281	\$ 4,276,203	\$ 7,524,484

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

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:							
General Government	\$ 222,497	\$ 54,764	\$ 143,116	\$ -	\$ (24,617)	\$ -	\$ (24,617)
Public Safety	202,867	41,667	3,675	-	(157,525)	-	(157,525)
Public Works	239,197	-	49,326	-	(189,871)	-	(189,871)
Health & Welfare	53,220	61,116	-	-	7,896	-	7,896
Interest on Long-Term Debt	-	-	-	-	-	-	-
Total	<u>\$ 717,781</u>	<u>\$ 157,547</u>	<u>\$ 196,117</u>	<u>\$ -</u>	<u>(364,117)</u>	<u>-</u>	<u>(364,117)</u>
Business-Type Activities:							
Water/Sewer Utilities	<u>714,968</u>	<u>731,389</u>	<u>-</u>	<u>198,076</u>	<u>-</u>	<u>214,497</u>	<u>214,497</u>
TOTAL	<u>\$ 1,432,749</u>	<u>\$ 888,936</u>	<u>\$ 196,117</u>	<u>\$ 198,076</u>	<u>\$ (364,117)</u>	<u>\$ 214,497</u>	<u>\$ (149,620)</u>
General Revenues:							
					486,900		486,900
					2,888		2,888
					15,912		15,912
					14,404		14,404
					1,945	7,380	9,325
Transfers					<u>(15,000)</u>	<u>15,000</u>	<u>-</u>
					<u>507,049</u>	<u>22,380</u>	<u>529,429</u>
					142,932	236,877	379,809
					<u>2,763,854</u>	<u>3,736,742</u>	<u>6,500,596</u>
					<u>\$ 2,906,786</u>	<u>\$ 3,973,619</u>	<u>\$ 6,880,405</u>

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

TOWN OF RUTLEDGE, TENNESSEE

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Drug Fund	Community Development Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 493,850	\$ 10,326	\$ 266,223	770,399
Certificate of Deposit	435,967			435,967
Accounts/Notes Receivable	73,728		50,000	123,728
Prepays	10,583		1,898	12,481
	<u>1,014,128</u>	<u>10,326</u>	<u>318,121</u>	<u>1,342,575</u>
<u>TOTAL ASSETS</u>				
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts Payable/Other Payables	\$ 5,597	\$ -	\$ -	\$ 5,597
Accrued Payroll/Leave	49,590			49,590
	<u>55,187</u>	-	-	55,187
<u>Total Liabilities</u>				
 <u>Deferred Inflows of Resources</u>				
Deferred Grant Revenue	87,732			87,732
 <u>Fund Balance</u>				
Nonspendable:				
Insurance	10,583		1,899	12,482
Restricted		10,326		
Committed			316,222	316,222
Unassigned	860,626	-	-	860,626
	<u>871,209</u>	<u>10,326</u>	<u>318,121</u>	<u>1,199,656</u>
<u>Total Fund Balance</u>				
 <u>TOTAL LIABILITIES AND FUND BALANCE</u>				
	<u>\$ 1,014,128</u>	<u>\$ 10,326</u>	<u>\$ 318,121</u>	<u>\$ 1,342,575</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - All Governmental Funds \$ 1,199,656

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 fund balance sheet. 1,539,009

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 government funds balance sheet.

Net pension asset	208,853
Deferred inflow of resources	(198,577)
Deferred outflow of resources	<u>157,845</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,906,786

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

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Drug Fund	Community Development Fund	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 412,813	\$ -	\$ -	\$ 412,813
Intergovernmental Revenue	204,588			204,588
Fines and Forfeits	39,538	2,129		41,667
Miscellaneous Revenues	153,584		61,116	214,700
Interest	1,945		-	1,945
<u>Total Revenue</u>	<u>812,468</u>	<u>2,129</u>	<u>61,116</u>	<u>875,713</u>
<u>EXPENDITURES</u>				
General Government	240,559			240,559
Public Safety	200,765	959		201,724
Highways and Streets	278,271			278,271
Welfare and Recreation	-		24,013	24,013
<u>Total Expenditures</u>	<u>719,595</u>	<u>959</u>	<u>24,013</u>	<u>744,567</u>
 (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 92,873	 1,170	 37,103	 131,146
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(15,000)		-	(15,000)
 (DEFICIENCY) OF REVENUE AND FINANCING SOURCES OVER EXPENDITURES	 77,873	 1,170	 37,103	 116,146
 <u>FUND BALANCE - BEGINNING</u>	 <u>793,336</u>	 <u>9,157</u>	 <u>281,017</u>	 <u>1,083,510</u>
 <u>FUND BALANCE - ENDING</u>	 <u>\$ 871,209</u>	 <u>\$ 10,327</u>	 <u>\$ 318,120</u>	 <u>\$ 1,199,656</u>

Excess of Revenue and Financing Sources Over Expenditures-Governmental Funds \$ 116,146

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlays less depreciation in the current period. (18,786)

Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities. 45,572

Change in net position of governmental activities \$ 142,932

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

TOWN OF RUTLEDGE, TENNESSEE

GENERAL FUND

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

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>TAXES</u>				
Local Sales Tax	\$ 240,000	\$ 310,000	\$ 338,198	\$ 28,198
Cable Franchise Tax	13,000	14,400	14,404	4
Wholesale Beer Tax	20,000	40,000	44,298	4,298
Payments in Lieu of Taxes	16,400	15,996	15,913	(83)
<u>Total Taxes</u>	289,400	380,396	412,813	32,417
<u>INTERGOVERNMENTAL REVENUE</u>				
State Sales Tax	125,000	137,000	148,701	11,701
State Income Tax	1,000	2,284	2,284	-
State Beer Tax	640	604	603	(1)
State City Street and Trans. Funds	2,500	2,460	2,461	1
State Gasoline and Motor Fuel Tax - State Street Aid	46,000	47,200	46,864	(336)
Law Enforcement Grant Funds	7,400	4,800	3,675	(1,125)
<u>Total Intergovernmental Revenue</u>	182,540	194,348	204,588	10,240
<u>FINES, FORFEITS, AND PENALTIES</u>				
Police Court Fines	20,300	36,571	39,538	2,967
<u>OTHER REVENUE</u>				
Interest Earned	1,500	1,900	1,945	45
Auditorium Charges	255	340	425	85
Grant Funds	-	230,848	143,116	(87,732)
Other Revenue	1,800	7,440	10,043	2,603
<u>Total Other Revenue</u>	3,555	240,528	155,529	(84,999)
<u>TOTAL REVENUE</u>	495,795	851,843	812,468	(39,375)

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

TOWN OF RUTLEDGE, TENNESSEE

GENERAL FUND

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

For the fiscal year ended June 30, 2022

<u>EXPENDITURES</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
 <u>GENERAL GOVERNMENT</u>				
<u>General</u>				
Wages	\$ 56,300	\$ 61,300	\$ 68,097	\$ (6,797)
Social Security Tax Expense	23,000	23,000	21,354	1,646
Retirement	3,000	2,500	2,498	2
Employee Education & Training	250	85	85	-
Post Office Box Rent	400	300	248	52
Printing, Stationary	300	280	399	(119)
Publication of Formal & Legal	1,500	1,145	1,144	1
Memberships & Registration Fees	780	650	910	(260)
Accounting & Auditing	6,000	5,500	5,500	-
Data Processing Service	12,000	3,400	3,382	18
Other Professional Services	10,550	11,700	11,728	(28)
Operating Supplies	800	800	795	5
Travel	200	-	36	(36)
Other Repairs & Maintenance	120	155	315	(160)
Insurance	30,000	24,200	23,389	811
Grants & Donations to Others	15,200	16,700	16,700	-
	160,400	151,715	156,580	(4,865)
 <u>City Court</u>				
Salary - City Court Judge	3,050	3,050	3,058	(8)
Salary - Court Clerk	6,140	6,140	6,154	(14)
Retirement	425	425	369	56
Insurance	100	100	100	-
Travel	250	250	286	(36)
Data Processing	2,700	2,700	2,799	(99)
State Litigation Tax	4,000	4,000	3,937	63
	16,665	16,665	16,703	(38)

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

TOWN OF RUTLEDGE, TENNESSEE

GENERAL FUND

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

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>City Hall Buildings</u>				
Electric	5,000	5,600	5,497	103
Telephone	3,800	3,200	3,285	(85)
Water and Sewer	1,150	1,095	1,062	33
Repairs & Maintenance	7,900	38,053	51,415	(13,362)
Operating & Janitorial Supplies	<u>1,350</u>	<u>1,839</u>	<u>1,939</u>	<u>(100)</u>
<u>Total City Hall Buildings</u>	19,200	49,787	63,198	(13,411)
<u>Auditorium</u>				
Electric	2,200	2,700	2,747	(47)
Repairs & Maintenance Buildings	150	1,330	1,331	(1)
Janitorial Supplies	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Auditorium</u>	<u>2,400</u>	<u>4,030</u>	<u>4,078</u>	<u>(48)</u>
<u>Total General Government</u>	198,665	222,197	240,559	(18,362)

PUBLIC SAFETY

<u>Police Department</u>				
Wages	145,000	153,200	167,534	(14,334)
Retirement	10,000	8,500	8,499	1
Employee Education	1,000	424	424	-
Books, Catalogues, Etc	160	-	-	-
Other Publicity & Subscriptions	500	-	-	-
Clothing & Uniforms	2,000	1,340	1,332	8
Firearm Supplies	500	-	-	-
Repairs & Maintenance	500	-	280	(280)
Travel	800	542	541	1
Office Supplies	300	212	212	-
Small Items of Equipment	1,500	1,310	1,309	1
Operating Supplies	600	-	-	-
Memberships, Registration Fees	1,700	1,720	1,717	3
Medical, Dental Veterinary	80	45	45	-
Gas, Oil, Fuel & Grease	16,000	16,000	16,216	(216)
Motor Vehicle Parts & Repair	<u>3,000</u>	<u>2,618</u>	<u>2,656</u>	<u>(38)</u>
<u>Total Public Safety</u>	183,640	185,911	200,765	(14,854)

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

TOWN OF RUTLEDGE, TENNESSEE

GENERAL FUND

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

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
<u>HIGHWAYS AND STREETS</u>				
<u>General Fund</u>				
Wages	38,000	40,500	44,605	(4,105)
Retirement	2,200	1,900	1,851	49
<u>Total General Fund</u>	40,200	42,400	46,456	(4,056)
<u>State Street Aid</u>				
Telephone	625	625	600	25
Employee Education & Tng	20	20	-	20
Repairs & Maintenance - Other	4,000	1,000	1,098	(98)
Small Items of Equipment	1,500	5,602	6,458	(856)
Street Lighting	13,000	14,500	14,345	155
Operating Supplies	500	680	996	(316)
Gas & Oil	7,000	7,000	7,458	(458)
Motor Vehicle Parts & Repair	500	410	409	1
Tires & Tubes	800	150	151	(1)
Signs, Parts & Supplies	250	250	369	(119)
Capital Outlay	-	-	54,868	(54,868)
Street Materials & Paving	25,000	125,000	145,063	(20,063)
<u>Total State Street Aid</u>	53,195	155,237	231,815	(76,578)
<u>Total Highways and Streets</u>	93,395	197,637	278,271	(80,634)
TOTAL EXPENDITURES	475,700	605,745	719,595	(113,850)
EXCESS REVENUES OVER EXPENDITURES	20,095	246,098	92,873	(153,225)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	-	-	(15,000)	15,000
NET CHANGE IN FUND BALANCE	20,095	246,098	77,873	(138,225)
FUND BALANCE, BEGINNING	793,336	793,336	793,336	-
FUND BALANCE, ENDING	\$ 813,431	\$ 1,039,434	\$ 871,209	\$ (153,225)

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

TOWN OF RUTLEDGE, TENNESSEE

DRUG FUND

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

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Fines and Forfeits	\$ 500	\$ 2,130	\$ 2,129	\$ (1)
<u>EXPENDITURES</u>				
Special Investigative Funds	100	960	960	-
Firearm Supplies	-	-	-	-
<u>Total Expenditures</u>	<u>100</u>	<u>960</u>	<u>960</u>	<u>-</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	400	1,170	1,169	(1)
FUND BALANCE, BEGINNING	<u>9,157</u>	<u>9,157</u>	<u>9,157</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 9,557</u>	<u>\$ 10,327</u>	<u>\$ 10,326</u>	<u>\$ (1)</u>

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

TOWN OF RUTLEDGE, TENNESSEE

COMMUNITY DEVELOPMENT FUND

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

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sale of Building	\$ 14,000	\$ 54,155	\$ 54,156	\$ 1
Rental Income	11,600	6,860	6,960	100
<u>Total Revenue</u>	25,600	61,015	61,116	101
<u>EXPENDITURES</u>				
<u>Town Park - Nance Property</u>				
Other Communications	450	372	372	-
Electric	3,000	3,500	3,451	49
Water	400	298	298	-
Sewer	300	285	282	3
Repair & Maintance	10,000	15,280	15,279	1
Insurance	4,500	2,530	4,162	(1,632)
Grants & Donations	1,000	-	-	-
Operating Supplies	400	170	168	2
<u>Total Town Park - Nance Property</u>	20,050	22,435	24,012	(1,577)
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,550	38,580	37,104	1,678
FUND BALANCE, BEGINNING	281,017	281,017	281,017	-
FUND BALANCE, ENDING	<u>\$ 286,567</u>	<u>\$ 319,597</u>	<u>\$ 318,121</u>	<u>\$ 1,678</u>

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

TOWN OF RUTLEDGE, TENNESSEE

NET POSITION - PROPRIETARY FUND

June 30, 2022

ASSETS

Current Assets

Cash	\$ 498,488	
Certificates of Deposit	839,434	
Accounts Receivable	61,490	
Prepaid Expenses	<u>6,303</u>	
Total Current Assets		\$ 1,405,715

Capital Assets

Non-depreciable capital assets	5,096	
Water Plant, net of accumulated depreciation	1,494,007	
Sewer Plant, net of accumulated depreciation	<u>1,101,300</u>	
Total Non-Current Assets		2,600,403

Other Assets

Net Pension Asset		159,715
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DEFERRED OUTFLOW OF RESOURCES

Deferred Outflow Related to Pensions		<u>110,370</u>
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TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES

\$ 4,276,203

LIABILITIES

Current Liabilities

Accounts Payable	\$ 75,810	
Accrued Sales Tax	2,616	
Accrued Payroll/Leave	72,781	
Customer Deposits	<u>12,525</u>	
Total Current Liabilities		\$ 163,732

DEFERRED INFLOW OF RESOURCES

Deferred Inflow Related to Pensions		138,852
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NET POSITION

Net investment in capital assets	2,600,403	
Restricted - Net Pension Asset	131,233	
Restricted - Insurance	5,640	
Unrestricted	<u>1,236,343</u>	

TOTAL NET POSITION

3,973,619

TOTAL LIABILITIES AND NET POSITION

\$ 4,276,203

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

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND

For the fiscal year ending June 30, 2022

OPERATING REVENUES

Charges for Services:

Water and Sewer Charges	\$ 665,522
Hydrant Charges	4,081
Connection and Service Charges	49,879
Tap Fees	<u>11,908</u>

Total Operating Revenues \$ 731,390

OPERATING EXPENSES

Water and Sewer System

Salaries and Wages	174,107
Retirement	(17,827)
Repairs and Maintenance	51,078
Materials and Supplies	23,702
Utilities	92,223
Cost of Water Purchased	133,090
Miscellaneous and Other	1,410
Professional Services	<u>20,596</u>

Total Water and Sewer System 478,379

Administrative and General

Salaries and Wages	25,563
OASI	15,021
Retirement	(2,934)
Repairs and Maintenance	14,490
Insurance	10,769
Legal and Accounting	5,500
Postage and Mailing	5,010
Materials and Supplies	5,241
Data Processing Services	6,550
Professional Services	20,062
Miscellaneous and Other	<u>1,271</u>

Total Administrative and General 106,543

Depreciation

Depreciation	<u>130,047</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND (CONTINUED)

For the fiscal year ending June 30, 2022

<u>Total Operating Expenses</u>		<u>714,969</u>
<u>Operating Income (Loss)</u>		16,421
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Grant Income	\$ 198,076	
Interest Income	<u>7,380</u>	
<u>Total Non-Operating Revenues (Expenses)</u>		<u>205,456</u>
<u>Income Before Transfers</u>		221,877
<u>TRANSFERS IN (OUT)</u>		<u>15,000</u>
<u>CHANGE IN NET POSITION</u>		236,877
Total Net Position Beginning		<u>3,736,742</u>
Total Net Position, Ending		<u>\$ 3,973,619</u>

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

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the fiscal year ending June 30, 2022

Cash Flows From Operating Activities

Cash Received from Customers	\$ 725,288
Cash Payments for Goods and Services	(420,127)
Cash Payments to Employees	<u>(201,301)</u>

Net Cash Provided By Operating Activities \$ 103,860

Cash Flows From Capital and Related Financing Activities

Grant Income	198,076
Increase in Customer Deposits/Sales Tax	468
Additions to Distribution System & Equipment	(244,443)
Transfers from other Funds	<u>15,000</u>

Net Cash Used For Capital and Related Financing Activities (30,899)

Cash Flows From Investing Activities

Increase in Certificates of Deposit	(6,766)
Interest Received	<u>7,380</u>

Net Cash Provided by Investing Activities 614

NET INCREASE IN CASH 73,575

Cash and cash equivalents - Beginning of the year 424,913

Cash and cash equivalents - End of the year \$ 498,488

Interest Paid \$ -

(Continued on Next Page)

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

TOWN OF RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUND

For the fiscal year ending June 30, 2022

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

Operating Income (Loss)	\$ 16,418
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	130,047
Change in Accounts Receivable	(6,102)
Change in Prepaid Expenses	(3,656)
Change in Deferred Outflow Related to Pensions	(31,431)
Change in Accounts Payable	(3,047)
Change in Accrued Wages/Leave	<u>1,631</u>
Net cash provided by operating activities	<u>\$ 103,860</u>

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

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Rutledge is a charter town in which citizens elect the mayor at large and four council members. It operates under a city council manager form of government and provides the following services as provided by its charter: Public Safety -Police, Highway and Streets, Sanitation, Public Enterprise - Water and Sewer, Culture - Recreation, Public Improvements, Planning and Zoning and General Administrative Services.

A. Reporting Entity

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basic - but not the only - criterion for including a potential component unit within the reporting entity is if the governing body appoints a voting majority of a component unit's governing body (accountability), and if it either has the ability to impose its will on the component unit or the financial benefit or burden consideration exists. Based upon the criteria, the Town has no potential component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

C. Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity, if any, is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Revenues from sources consist primarily of taxes and intergovernmental revenues. Miscellaneous revenues and fines are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, when committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

E. Fund Types and Major Funds

Governmental Funds

General Fund -

The General Fund is the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Community Development Fund -

The Community Development Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

Drug Fund -

The Drug Fund is used to account for the proceeds of drug related revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

Water and Sewer Fund -

The Water and Sewer Fund accounts for the operating activities of the Town's water utility services.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

A. Cash and Investments

The Town maintains and controls cash and investment accounts for each fund. The cash and investments are separately held and reflected in their respective funds.

The Town reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At this time, the Town has no investments with original maturity of three months or less.

The Town's investments consist of certificates of deposit with a maturity of 12 months. Cash deposits are reported at carrying amount which reasonably estimates fair value.

B. Prepays

Prepays record payments to vendors that benefit future reporting periods such as insurance. Prepays are similarly reported in government-wide and fund financial statements.

C. Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile Equipment	3 – 30
Furniture, Machinery, and Equipment	3 – 30

D. Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. There is no outstanding debt owed by the Town of Rutledge in the current year.

E. Deferred Outflows/Inflows of Resources

The Town implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012. This new standard established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

E. Deferred Outflows/Inflows of Resources (continued)

In addition to assets, the statement of net position will sometimes report a section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town implemented GASB Statement No. 68 and has deferred outflows reported related to pensions for 2022.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from other receivables, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available also for 2021 deferred inflows are reported related to pensions.

F. Equity Classifications

Equity is classified as net position and displayed in three components in the government-wide financial statements.

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable includes amounts that cannot be spent because they are not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, advances to other funds and long-term receivables.

Restricted represents constraints placed on the use of these resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or imposed by law (through constitutional provisions or enabling legislation).

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 2 - ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

F. Equity Classifications (continued)

Committed represents amounts that can only be used for specific purposes as determined through formal action through adoption of an ordinance by the Town Council, the Town's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless Town Council removes the constraints by taking the same formal action to modify or rescind the commitment. Committed fund balances include non-liquidated encumbrances for capital projects at year-end that are carried forward to the next fiscal year. Committed fund balances differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned fund balance includes (a) all amounts that are reported in the governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts that are not restricted or committed in a special revenue, capital projects or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself. This intent is expressed by the Mayor and Board of Aldermen.

Unassigned is the residual classification of the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted fund balances first, then unrestricted amounts – committed, assigned and unassigned – as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

None of the net position is restricted by enabling legislation.

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Town of Rutledge's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Town of Rutledge'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.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 3 - ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 4 - REVENUES, EXPENDITURES, AND EXPENSES

A. Lease Revenue

The Community Development Fund leases the Community Center Building and the Industrial Park Building. Also, other buildings belonging to the Town are rented for special occasions at a specified rental amount.

B. Accrued Leave/Payroll

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time, permanent employees to specified maximums. The Town allows employees to accumulate unused sick leave; earned vacation time can accumulate up to a maximum of 200 hours. As of June 30, 2022, liability for accrued vacation and sick leave is \$109,631. The amounts applicable to the General Fund of \$42,441 and the Water and Sewer Fund of \$67,190 are expected to be utilized during the current year and have been recorded in those funds. Accrued leave is reported as accrued in the government-wide and proprietary financial statements. Governmental funds report accrued leave that is expected to be utilized during the current year as wages and benefits payable. As of June 30, 2022, liability for accrued payroll is \$12,740. The amounts applicable to the General Fund is \$7,149 and the Water and Sewer Fund is \$5,591.

NOTE 5 - BUDGETARY INFORMATION

A. Budget Policy and Practice

The Town Financial Manager submits an annual budget to the Town Council in accordance with the Town Charter. The budget is presented to the Town Council for review, and public hearings are held to address priorities and allocation of resources. In June, the Town adopts the annual fiscal year budgets for Town operating funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

B. Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review of the Town Council. Revisions to the budget were made at year-end. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditures are expected to be used.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 6 - DEPOSITS

It is the Town's policy for deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

At June 30, 2022, cash on the balance sheet includes cash on hand in the amount of \$300 and deposits with Citizens Bank and Trust Company of Grainger County including demand deposits, certificates of deposit and passbook savings accounts of \$2,544,288 per books and \$2,833,598 per the bank balance. Of the bank balance \$500,000 was covered by the FDIC and \$2,333,598 was covered by collateral held at First Horizon Bank National Association, Knoxville, Tennessee for Citizen's Bank and Trust Company of Grainger County, as an agent for the Town of Rutledge.

NOTE 7 - ACCOUNT RECEIVABLE/DEFERRED INCOME

Governmental Funds

The accounts receivable for Tennessee State shared revenues totals \$73,728 and is due in 30 days. The receivable on the books for \$50,000 represents the amount the Town loaned to the Grainger County Industrial Development Board for renovations to an industrial building. The Town holds a promissory note from the Grainger County Industrial Development Board for the \$50,000. Repayment of the loan will begin as soon as the Industrial Development Board begins receiving lease payments for the building.

Business Type Funds

Significant receivables include amounts due from customers primarily for utility services. These receivables of \$61,490 are due within 30 days. At June 30, the Town finance manager reviews all outstanding receivables past due more than 90 days. The Town Council approved the write-off of these bad debts at their June council meeting of \$1,167 which are charged against charges for services.

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. In addition, there have been no losses in excess of insurance coverage in the last three years.

NOTE 9 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2022, the date of the most recent balance sheet has been evaluated for possible adjustment to the financial statements or disclosure is March 18, 2023 which is the date on which the financial statements were available to be issued.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year then ended, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital Assets, not being depreciated	\$ 235,747	\$12,000	\$ -0-	\$ 247,747
Capital Assets, being depreciated				
Buildings and Improvements	1,952,894	-0-	-0-	1,952,894
Equipment	<u>499,125</u>	<u>59,858</u>	<u>-0-</u>	<u>558,983</u>
Total depreciable capital assets	2,452,019	59,858	-0-	2,511,877
Less: Accumulated Depreciation	<u>1,129,971</u>	<u>90,645</u>	<u>-0-</u>	<u>1,220,616</u>
Total Capital Assets, being depreciated	<u>1,322,048</u>	<u>(30,787)</u>	<u>-0-</u>	<u>1,291,261</u>
Governmental activities capital assets, net	<u>\$1,557,795</u>	<u>\$(18,787)</u>	<u>\$ -0-</u>	<u>\$1,539,008</u>
<i>Business-Type Activities:</i>				
Capital Assets, not being depreciated	\$ 5,096	\$ -0-	\$ -0-	\$ 5,096
Capital Assets, being depreciated				
Sewer Treatment Plant	1,969,791	307,506	-0-	2,277,297
Water System	<u>3,163,493</u>	<u>-0-</u>	<u>-0-</u>	<u>3,163,493</u>
Totals depreciable capital assets	5,133,284	307,506	-0-	5,440,790
Less Accumulated Depreciation	<u>2,715,432</u>	<u>130,047</u>	<u>-0-</u>	<u>2,845,479</u>
Total Capital Assets, being depreciated	<u>2,417,852</u>	<u>177,459</u>	<u>-0-</u>	<u>2,595,311</u>
Business-Type Activities capital assets, net	<u>\$2,422,948</u>	<u>\$177,459</u>	<u>\$ -0-</u>	<u>\$2,600,407</u>

Depreciation Expense

Depreciation expense was charged to functions of the government as follows:

<i>Governmental Activities</i>	
General Government	\$ 6,711
Public Safety	27,029
Highways and Streets	27,697
Recreation/Community Development	<u>29,208</u>
<i>Total Governmental Activities</i>	<u>\$ 90,645</u>
<i>Business-type Activities</i>	
Water & Sewer Utilities	<u>\$130,047</u>

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 11 - LIABILITIES

Notes Payable

The Town has no notes payable as of June 30, 2022 for any fund.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation

The Town is party to various legal proceedings which normally occur in governmental operations. In the opinion of Town management, the potential loss on lawsuits will not be significant to the Town's financial statements.

Federal Grants

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 13 - PENSION PLAN

General Information about the Pension Plan

Plan Description. Employees of Town of Rutledge 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Board-and-Governance/Reporting-and-Investment-Policies>.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE 13 - PENSION PLAN (CONTINUED)

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

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

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>10</u>
Total Employees	<u>22</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town of Rutledge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, employer contributions for the Town of Rutledge were \$23,099 based on a rate of 6.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town of Rutledge's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pension liabilities (assets). The Town of Rutledge'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.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2022

NOTE 13 - PENSION PLAN (CONTINUED)

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

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

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

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2022

NOTE 13 - PENSION PLAN (CONTINUED)

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Position Liability (Asset) <u>(a) – (b)</u>
Balance at 6/30/20	\$ <u>729,523</u>	\$ <u>1,081,374</u>	\$ <u>(351,851)</u>
Changes for the year ended:			
Service cost	29,012		29,012
Interest	54,408		54,408
Differences between expected and actual experience	77,492		77,492
Changes in benefit terms	-0-		-0-
Changes in assumptions	145,654		145,654
Contributions – employer		22,957	(22,957)
Contributions – employees		19,131	(19,131)
Net investment income		282,179	(282,179)
Benefit payments, including refunds of employee contributions	(16,158)	(16,158)	
Administrative expense	-0-	(984)	984
Net changes	<u>290,408</u>	<u>307,125</u>	<u>(16,617)</u>
Balance at 6/30/21	<u>\$1,019,931</u>	<u>\$1,388,499</u>	<u>\$(368,568)</u>

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2022

NOTE 13 - PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Town of Rutledge calculated using the discount rate of 6.75 percent, as well as what the pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town of Rutledge, Tennessee's net pension liability (asset)	\$(205,948)	\$(368,568)	\$(502,478)

Pension Expense (negative pension expense). For the year ended June 30, 2022, the Town of Rutledge recognized pension expense (negative pension expense) of \$(53,280).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the Town of Rutledge 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\$ 93,009	\$172,658	
Net difference between projected and actual earnings on pension plan investments		150,775
Change in Assumptions	138,111	
Contributions subsequent to the measurement date of June 30, 2021	23,099	(not applicable)
Total	\$254,219	\$323,433

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.

TOWN OF RUTLEDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2022

NOTE 13 - PENSION PLAN (CONTINUED)

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

<u>Year Ended June 30</u>	
2023	\$ (33,757)
2024	(32,011)
2025	(31,468)
2026	(36,313)
2027	9,958
Thereafter	31,471

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

Payable to the Pension Plan

At June 30, 2022, the Town of Rutledge reported no additional amounts due and payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RUTLEDGE, TENNESSEE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS

Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service Cost	\$ 18,417	\$ 20,820	\$ 24,581	\$ 28,367	\$ 22,812	\$ 23,799	\$ 28,265	\$ 29,012
Interest	40,386	38,980	42,889	51,559	52,449	54,938	58,700	54,408
Differences between actual & expected experience	(68,357)	1,929	53,688	(47,701)	(26,531)	(15,639)	(130,918)	77,492
Changes of assumptions	-	-	-	21,329	-	-	-	145,654
Benefit payments, including refunds of employee contributions	(6,334)	(16,860)	(9,868)	(8,825)	(15,227)	(15,537)	(15,818)	(16,158)
Net change in total pension liability	(15,888)	44,869	111,290	44,729	33,503	47,561	(59,771)	290,408
Total pension liability-beginning	523,230	507,342	552,211	663,501	708,230	741,733	789,294	729,523
Total pension liability-ending (a)	\$ 507,342	\$ 552,211	\$ 663,501	\$ 708,230	\$ 741,733	\$ 789,294	\$ 729,523	\$ 1,019,931
Plan fiduciary net position								
Contributions-employer	21,058	23,068	27,260	27,955	25,790	23,259	24,015	22,957
Contributions-employee	14,914	16,572	19,584	20,082	18,528	16,709	17,253	19,131
Net investment income	83,288	18,897	17,553	81,201	68,971	68,928	50,522	282,179
Benefit payments, including refunds of employee contributions	(6,334)	(16,860)	(9,868)	(8,825)	(15,227)	(15,537)	(15,818)	(16,158)
Administrative expense	(301)	(508)	(786)	(919)	(921)	(1,013)	(928)	(984)
Net change in plan fiduciary net position	112,625	41,169	53,743	119,494	97,141	92,346	75,044	307,125
Plan fiduciary net position-beginning	489,812	602,437	643,606	697,349	816,843	913,984	1,006,330	1,081,374
Plan fiduciary net position-ending (b)	602,437	643,606	697,349	816,843	913,984	1,006,330	1,081,374	1,388,499
Net Pension Liability (asset)-ending (a) - (b)	\$ (95,095)	\$ (91,395)	\$ (33,848)	\$ (108,613)	\$ (172,251)	\$ (217,036)	\$ (351,851)	\$ (368,568)
Plan fiduciary net position as a percentage of total pension liability	118.74%	116.55%	105.10%	115.34%	123.22%	127.50%	148.23%	136.14%
Covered payroll	\$ 298,269	\$ 331,432	\$ 391,667	\$ 401,646	\$ 370,551	\$ 334,186	\$ 345,049	\$ 382,610
Net pension liability (asset) as a percentage of covered payroll	-31.88%	-27.58%	-8.64%	-27.04%	-46.49%	-64.94%	-101.97%	-96.33%

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

Notes to Schedule:

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, salary growth 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 auditor's report

TOWN OF RUTLEDGE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS
 BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS

Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 21,058	\$ 23,068	\$ 27,260	\$ 11,326	\$ 25,753	\$ 2,239	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	21,058	23,068	27,260	27,955	25,790	23,259	24,015	22,957	23,099
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (16,629)	\$ (37)	\$ (21,020)	\$ (24,015)	\$ (22,957)	\$ (23,099)
Covered payroll	\$ 298,269	\$ 331,432	\$ 391,667	\$ 401,646	\$ 370,551	\$ 334,186	\$ 345,049	\$ 382,610	\$ 397,312
Contributions as a percentage of covered payroll	7.06%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.00%	6.00%

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

See accompanying independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

TOWN OF RUTLEDGE, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES

For the fiscal year ending June 30, 2022

TOTAL NUMBER OF WATER CUSTOMERS - 706

SCHEDULE OF WATER RATES

RESIDENTIAL

First 2,000 gallons	\$19.50 Minimum
Over 2,000 gallons	7.50 per 1,000 gallons

COMMERCIAL

First 2,000 gallons	\$20.50 Minimum
Over 2,000 gallons	9.05 per 1,000 gallons

TOTAL NUMBER OF SEWER CUSTOMERS – 309

SCHEDULE OF SEWER RATES

RESIDENTIAL

First 2,000 gallons	\$23.50 Minimum
Over 2,000 gallons	8.75 per 1,000 gallons

COMMERCIAL

First 2,000 gallons	\$25.00 Minimum
Over 2,000 gallons	9.05 per 1,000 gallons

See the accompanying independent auditor's report.

TOWN OF RUTLEDGE, TENNESSEE

SCHEDULE OF SALARIES OF PRINCIPAL OFFICIALS

For the fiscal year ended June 30, 2022

Mayor (Annual)	\$1,800
4 Alderman (Annual)	<u>6,000</u>
<u>Total Official Salaries</u>	<u>\$7,800</u>

See the accompanying independent auditor's report.

TOWN OF RUTLEDGE, TENNESSEE

EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2022

<u>Grantor Agency</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Federal Awards			
US Department of Housing and Urban Development Sewer System Improvements	23.002	TN-19934	\$186,061
US Department of Economic and Community Development Sewer System Improvements	14.228	CDBG 20-1186	12,015
US Department of Transportation TN Department of Transportation Governor Highway Safety Grant	20.607	Z22THS244	3,674
US Department of the Treasury TN Department of Finance and Administration ARPA	21.19	N/A	<u>113,291</u>
Total Federal Awards			315,041
State Awards			
TN Department of Finance and Administration Governor's Local Support Direct Appropriations Grant		N/A	<u>29,825</u>
Total Federal and State Awards			<u>\$344,866</u>

Basis of Presentation:

This schedule summarizes the expenditures of the Town of Rutledge, Tennessee under programs of federal and state governments for the year ended June 30, 2022. The schedule is presented using the modified accrual basis of accounting.

See the accompanying independent auditor's report.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
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[?](#) Click to access definition
[+](#) Click to add a comment

Water Audit Report for: Rutledge Water Department (000600)
Reporting Year: 2022 7/2021 - 6/2022

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

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

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

WATER SUPPLIED

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

Volume from own sources:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr
Water imported:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="65.750"/>	MG/Yr
Water exported:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr

Master Meter and Supply Error Adjustments

<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value=""/>	Pcnt:	<input type="text" value=""/>	Value:	<input type="text" value=""/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="2"/>	<input type="text" value="1.00%"/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value=""/>	MG/Yr
<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value=""/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

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

WATER SUPPLIED: **65.099** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="41.812"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="10"/>	<input type="text" value=""/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="0.814"/>	MG/Yr

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

AUTHORIZED CONSUMPTION: **42.626** MG/Yr

Click here: for help using option buttons below

<input type="text" value="1.25%"/>	Pcnt:	<input type="radio"/>	<input type="radio"/>	Value:	<input type="text" value=""/>	MG/Yr
------------------------------------	-------	-----------------------	-----------------------	--------	-------------------------------	-------

Use buttons to select percentage of water supplied OR value

<input type="text" value="0.25%"/>	Pcnt:	<input type="radio"/>	<input type="radio"/>	Value:	<input type="text" value=""/>	MG/Yr
------------------------------------	-------	-----------------------	-----------------------	--------	-------------------------------	-------

<input type="text" value="0.25%"/>	Pcnt:	<input type="radio"/>	<input type="radio"/>	Value:	<input type="text" value=""/>	MG/Yr
------------------------------------	-------	-----------------------	-----------------------	--------	-------------------------------	-------

WATER LOSSES (Water Supplied - Authorized Consumption)

22.473 MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

Customer metering inaccuracies:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="7"/>	<input type="text" value="0.000"/>	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="9"/>	<input type="text" value="0.105"/>	MG/Yr

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

Apparent Losses: **0.267** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **22.206** MG/Yr

WATER LOSSES: **22.473** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **23.287** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="10"/>	<input type="text" value="31.5"/>	miles
Number of <u>active</u> AND <u>inactive</u> service connections:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="8"/>	<input type="text" value="788"/>	
Service connection density:	<input type="button" value="?"/>	<input type="text" value=""/>	<input type="text" value="25"/>	<input type="text" value=""/>	conn./mile main

Are customer meters typically located at the curbstop or property line?

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

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

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="10"/>	<input type="text" value="\$329,740"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="10"/>	<input type="text" value="\$12.75"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/>	<input type="button" value="?"/>	<input type="text" value="10"/>	<input type="text" value="\$2,446.00"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 85 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water imported

2: Unauthorized consumption

3: Systematic data handling errors

See the accompanying independent auditor's report.



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: Rutledge Water Department (000600)
 Reporting Year: 2022 7/2021 - 6/2022

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***

System Attributes:

	Apparent Losses:	0.267	MG/Yr
+	Real Losses:	22.206	MG/Yr
=	<u>Water Losses:</u>	22.473	MG/Yr

? Unavoidable Annual Real Losses (UARL): See limits in definition MG/Yr

Annual cost of Apparent Losses: \$3,408

Annual cost of Real Losses: \$54,316 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	35.8%	
		Non-revenue water as percent by cost of operating system:	18.1%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	0.93	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	1,931.38	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 22.21 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See the accompanying independent auditor's report.

DUANE CLINE, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1951, 225 WEST FIRST NORTH STREET, SUITE 104
MORRISTOWN, TENNESSEE 37816

DUANE CLINE, CPA

Phone (423) 587-9335
Fax (423) 586-1381
Email dcline@musfiber.com

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Board of Aldermen
Town of Rutledge, Tennessee
Rutledge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Rutledge, Tennessee as of and for the year ended June 30, 2022, which collectively comprise the Town of Rutledge, Tennessee's basic financial statements and have issued our report thereon dated March 18, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Rutledge, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Rutledge, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Rutledge, 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2022-001, 2022-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Rutledge, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described as item 2022-003 in the Schedule of Audit Findings and Recommendations that we consider to be a significant compliance deficiency.

Town of Rutledge, Tennessee's Response to Findings

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

Purpose of this report

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



Duane Cline
Certified Public Accountant

March 18, 2023

TOWN OF RUTLEDGE, TENNESSEE

SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2022

Financial Statement Findings (Repeat Findings)

2022-001 Adequate segregation of duties does not exist.

Condition: Due to the limited number of personnel available, a lack of segregation of duties exists in the areas of preparing bank deposits, preparing bank reconciliations, posting accounting transactions, issuing cash receipts and making disbursements.

Cause of the Finding: The small number of employees available to share the duties makes it difficult to have an adequate segregation of the custodial, authorization and record keeping functions.

Effect of the Finding: Without an adequate segregation of duties, it becomes more likely that intentional or unintentional errors could occur and not be detected in a timely manner.

Recommendation: Some of the duties should be divided among existing personnel and council members to ensure proper segregation of duties.

Management's Response: Management agrees with the finding but due to the size of the Town hiring additional personnel is not economically feasible. The Town realizes a weakness exists and will review the situation to determine how internal controls can be strengthened. The City Recorder is the contact related to this information.

Financial Statement Findings

2022-002 The State of Tennessee requires all expenditures of governmental funds to be appropriated.

Condition: The actual expenditures exceeded the budget amounts in the General Fund.

Cause of the Finding: Due to the purchase of a capital asset, actual expenditures exceeded approved appropriations.

Effect of the Finding: The approved budget represents the authority of the Town to expend funds, noncompliance is contrary to State law. The purchase of a capital asset exceeded the budget amount.

Recommendation: Expenditures should be compared to budgetary appropriations and the budget should be amended as necessary to insure that budget appropriations are not exceeded.

Management's Response: The Town will monitor and amend the budget when necessary in all funds in future years.

TOWN OF RUTLEDGE, TENNESSEE

SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the year ended June 30, 2022

2022-003 Condition: The Town is not providing for Sewer Retirement Obligations under GASB 83.

Criteria: The Town should provide under GASB 83 the ratable cost of closing the sewer system over its estimated remaining useful life.

Cause: The Town has not provided costs or estimated remaining useful lives to ascertain the annual expense of closing the sewer system and these expenses are not reported in the annual reporting.

Effect: A liability exists upon the final closing of the sewer system that has not being provided for under GASB 83.

Recommendation: An engineering study should be conducted to determine the estimated remaining useful life of the sewer system and the cost to close after it is no longer in service.

Management's Response: Management agrees with the finding and will make arrangements to get the proper engineering studies completed.

TOWN OF RUTLEDGE, TENNESSEE

SUMMARY OF PRIOR YEAR FINDINGS

For the year ended June 30, 2022

Financial Statement Findings

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status/Current Finding Number</u>
2021-001	Lack of Adequate Segregation of Duties (original finding number 2008-002)	Repeated 2022-001
2021-002	No Provision for Sewer Retirement Obligations (original finding number 2020-003)	Repeated 2022-003

2021-001 – Lack of adequate segregation of duties is repeated in the current year. (original finding 2008-002)

2020-003 – Town is not providing for sewer retirement obligations under GASB 83 is repeated in the current year. (Original finding 2020-003)

MANAGEMENT'S CORRECTIVE ACTION PLAN

The Town of Rutledge, Tennessee respectfully submits the following corrective plan for the year ended June 30, 2021

Name and address of independent public accounting firm:

Duane Cline, CPA, LLC
225 West First North Street, Suite 104
Morristown, TN 37814

Audit period:
June 30, 2022

The findings from the June 30, 2022 schedule of findings and recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2022-001: Segregation of duties

Name of Contact Stacy Harbin Finance Director/City Recorder

Because of the size and workload of the Town, it is not possible to hire additional staff at this time. We are mitigating this by Town Council reviewing the financial information monthly and comparing to budget amounts. All checks require two signatures. We will monitor and discuss ways that controls can be strengthened.

Anticipated completion date: Ongoing

Finding 2022-002: Expenditures exceeded approved budget

Name of Contact Stacy Harbin, Finance Director/City Recorder

Expenditures will be reviewed monthly and compared to budgetary appropriations and appropriate budget amendments will be prepared as needed.

Anticipated completion date: Ongoing

Finding 2022-003: Sewer Retirement Obligations under GASB 83

Name of Contact Stacy Harbin Finance Director/City Recorder

We will contact our engineers and get proper studies and costs ascertained so that these can be amortized into the cost of our system as soon as we can.

Anticipated completion date: Ongoing



Stacy Harbin
Finance Director/City Recorder