

TOWN OF SURGOINSVILLE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2022

TOWN OF SURGOINSVILLE, TENNESSEE
Financial Statements and Supplementary Information
June 30, 2022

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Financial Statements and Supplementary Information (Continued)

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TOWN OF SURGOINSVILLE, TENNESSEE
Roster of Officials and Board Members
June 30, 2022

Town Officials

Mr. Merrell Graham	Mayor
Mr. Bobby Jarnigin	Vice Mayor
Mr. Warren Bishop	Alderman
Mr. John Sandidge	Alderman
Mr. Randy Collier	Alderman
Mr. Tim Hoss	Alderman

Management Officials

Pam Mullins*	Town Recorder
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* Town Recorder is in the process of obtaining her CMFO.

DAVID M. ELLIS
Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To Board of Mayor and Aldermen
Town of Surgoinsville, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Surgoinsville, 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 Surgoinsville, Tennessee's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Surgoinsville, Tennessee, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Town of Surgoinsville, Tennessee, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Surgoinsville,

Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Surgoinsville, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Surgoinsville, Tennessee's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, modified approach for sewer system infrastructure, schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 5-9, and 36-39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Surgoinsville, Tennessee's basic financial statements. The supplementary information section as listed in the table of contents on pages 40-46, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials and board members on page 1 and other supplementary information section on pages 47-51 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 2, 2023, on my consideration of Town of Surgoinsville, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my 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 Surgoinsville, 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 Town of Surgoinsville, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
October 2, 2023

TOWN OF SURGOINSVILLE, TENNESSEE
 Management's Discussion and Analysis
 June 30, 2022

This section of the Town of Surgoinsville's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The Town's governmental activities net position increased by \$212,554.
- Business-type activities net position increased by \$31,376.
- During the year, the Town's expenses were \$161,410 less than the \$91,116,169 generated in taxes and other revenues for governmental activities.
- In the Town's business-type activities, revenues increased by \$579, to \$168,502 while expenses decreased 7% to \$137,126.
- The general fund reported an increase this year of \$161,410.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The following chart summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Town's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Town operates similar to private businesses: the sewer system
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in	Statement of net position Statement of revenues, expenditures, and changes in Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus

TOWN OF SURGOINSVILLE, TENNESSEE
 Management's Discussion and Analysis
 June 30, 2022

Major Features of the Town's Government-wide and Fund Financial Statements (Continued)

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Type of asset / deferred outflows of resources / deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets / deferred outflows of resources expected to be used up and liabilities / deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital and short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position, the difference between the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the Town's financial health or position.

- Over time, increases and decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, you need to consider additional non-financial factors such as changes in the Town's property tax base.

The government-wide financial statements of the Town are divided into two categories:

- Governmental activities - Most of the Town's basic services are included here, such as police, fire, public works, and parks departments, and general administration.
- Business-type activities - The Town charges fees to customers to help it cover the cost of certain services it provides. The Town's sewer system is included.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Town Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

TOWN OF SURGOINSVILLE, TENNESSEE
Management's Discussion and Analysis (Unaudited) (Continued)

Fund Financial Statements (Continued)

The Town has two kinds of funds:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.

Financial Analysis of the Town as a Whole

Net position: The Town's combined net position increased \$212,554.

	June 30, 2021	June 30, 2020	Increase/ (Decrease)	% Change
Current assets	\$ 1,138,184	\$ 1,008,528	\$ 129,656	12.86%
Other assets	<u>5,612,689</u>	<u>5,647,132</u>	<u>(34,443)</u>	-0.61%
Total assets	<u>6,750,873</u>	<u>6,655,660</u>	<u>95,213</u>	1.43%
Deferred outflows of resources	<u>60,310</u>	<u>43,594</u>	<u>16,716</u>	38.34%
Current liabilities	93,279	105,637	(12,358)	-11.70%
Long-term liabilities	<u>1,567,348</u>	<u>1,616,783</u>	<u>(49,435)</u>	-3.06%
Total liabilities	<u>1,660,627</u>	<u>1,722,420</u>	<u>(61,793)</u>	-3.59%
Deferred inflows of resources	<u>340,649</u>	<u>379,481</u>	<u>(38,832)</u>	-10.23%
Net position	<u>\$ 4,809,907</u>	<u>\$ 4,597,353</u>	<u>\$ 212,554</u>	4.62%

Net position of the Town's governmental activities increased \$181,178 or 22% to \$998,825. In the previous year net position of governmental activities showed an increase of \$107,193. The net position of the Town's business-type activities increased about .8% to \$3,811,082. The Town generally can only use this net position to finance the continuing operations of the sewer operations.

Changes in net position: The Town's revenues totaled \$1,282,815 while the total cost of all programs and services was \$1,070,261.

TOWN OF SURGOINSVILLE, TENNESSEE
Management's Discussion and Analysis (Unaudited) (Continued)

Governmental Activities

Approximately 32 cents of every dollar raised of the Town's governmental activities revenue comes from property taxes and 37 cents comes from sales taxes. 3 cents comes primarily from fees charged for services the remainder 28 cents comes from grants and other intergovernmental sources. The Town's expenses cover a range of services, with about 43% of its governmental activities expenses related to public safety and highways and streets.

Revenues for the Town's governmental activities totaled \$1,114,313, while expenses totaled \$933,135. The increase in net position for governmental activities was \$181,178 for fiscal year ended June 30, 2021. (Refer to table below)

Business-Type Activities

Revenues for the Town's business-type activities totaled \$168,502, while expenses totaled \$137,126. The increase in net position for business-type activities was \$31,376 for the fiscal year.

	June 30, 2021	June 30, 2020	Increase/ (Decrease)	% Change
Revenues				
Governmental	\$ 162,583	\$ 121,100	\$ 41,483	34.26%
Business-type activities	168,502	167,923	579	0.34%
General revenues	951,730	895,525	56,205	6.28%
Total revenues	<u>1,282,815</u>	<u>1,184,548</u>	<u>98,267</u>	8.30%
Expenses				
Governmental	933,135	909,072	24,063	2.65%
Business-type activities	<u>137,126</u>	<u>147,910</u>	<u>(10,784)</u>	-7.29%
Total expenses	<u>1,070,261</u>	<u>1,056,982</u>	<u>13,279</u>	1.26%
Change in net position	<u>\$ 212,554</u>	<u>\$ 127,566</u>	<u>\$ 84,988</u>	66.62%

Financial Analysis of the Town's Funds

As the Town completed the year, its governmental funds reported a combined fund balance of \$636,266, up almost 36% from last year. Included in this year's total change in fund balance is an increase of \$161,410 in the Town's general fund. The primary reasons for the general fund's increase was sales tax increase and a grant.

General Fund Budgetary Highlights

Over the course of the year, Town actual expenditures were less than budgeted expenditures by \$35,312 in the general fund

TOWN OF SURGOINSVILLE, TENNESSEE
Management's Discussion and Analysis (Unaudited) (Continued)

Capital Assets

At June 30, 2021, the Town had invested \$5,612,689 in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, and sewer lines.

Town of Surgoinsville's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and land rights	\$ 167,038	\$ 167,038	\$ -	\$ -	\$ 167,038	\$ 167,038
Buildings and improvements	515,676	515,676	-	-	515,676	515,676
Infrastructure	-	-	5,250,801	5,250,801	5,250,801	5,250,801
Other fixed assets	625,279	625,279	-	-	625,279	625,279
Less accumulated depreciation	(946,105)	(911,662)	-	-	(946,105)	(911,662)
	<u>\$ 361,888</u>	<u>\$ 396,331</u>	<u>\$ 5,250,801</u>	<u>\$ 5,250,801</u>	<u>\$ 5,612,689</u>	<u>\$ 5,647,132</u>

The Town uses the Modified approach for qualifying infrastructure assets in which maintenance and preservation expenses are reported as expenses and depreciation expense is not required. Infrastructure assets qualify for this method of account when management has an asset management system in place and has committed to maintain or preserve the infrastructure network or subsystem approximately at or above a specific condition level.

Economic Factors and Next Year's Budgets and Rates

- Unemployment at June 30, was continued to be extraordinary high, due to the effect of the worldwide pandemic.
- The 2021 Hawkins County real property tax rate was \$2.53 per \$100 and will be \$2.13 in 2022.
- Amounts available for appropriation in the general fund 2022 budget are expected to be similar for 2021.
- Budgeted expenditures for the general fund are expected to remain consistent. The Town has added no major new programs or initiatives to the 2022 budget.
- If these estimates are realized, the Town's budgetary general fund balance is expected to remain steady.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Town Hall, 1735 Main St, Surgoinsville, TN 37873.

TOWN OF SURGOINSVILLE, TENNESSEE

Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 778,993	\$ 119,787	\$ 898,780
Property taxes receivable	366,259	-	366,259
Accounts receivable	6,685	39,636	46,321
Prepaid expenses	12,699	-	12,699
Due from other governments	92,829	-	92,829
Inventory	-	3,840	3,840
Internal Balances	15,126	(15,126)	-
Total current assets	1,272,591	148,137	1,420,728
Other assets			
Capital assets			
Land	167,038		167,038
Buildings	515,676		515,676
Furniture, machinery, and equipment	807,101		807,101
Infrastructure	-	5,250,801	5,250,801
Less accumulated depreciation	(915,918)	-	(915,918)
Total other assets	573,897	5,250,801	5,824,698
Total assets	1,846,488	5,398,938	7,245,426
DEFERRED OUTFLOWS OF RESOURCES			
Pension	124,437	-	124,437
Total deferred outflows of resources	124,437	-	124,437
LIABILITIES			
Current liabilities			
Accounts payable	21,462	4,089	25,551
Accrued interest payable	674	3,235	3,909
Accrued liabilities	30,201	-	30,201
Current portion of long-term debt	29,192	32,021	61,213
Total current liabilities	81,529	39,345	120,874
Noncurrent Liabilities			
Long-term debt	-	1,490,433	1,490,433
Pension	(38,881)	-	(38,881)
Total noncurrent liabilities	(38,881)	1,490,433	1,451,552
Total liabilities	42,648	1,529,778	1,572,426
DEFERRED INFLOWS OF RESOURCES			
Deferred - current property taxes	341,285	-	341,285
Deferred - revenue	216,108	-	216,108
Pension	80,771	-	80,771
Total deferred inflows of resources	638,164	-	638,164
NET POSITION			
Net investment in capital assets	544,705	3,728,347	4,273,052
Restricted for: Special revenue drug enforcement fund	33,905	-	33,905
Unrestricted	711,503	140,813	852,316
Total net position	\$ 1,290,113	\$ 3,869,160	\$ 5,159,273

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Activities
Year Ended June 30, 2022

	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities		
Primary Government							
Governmental Activities							
General government	\$ 384,363	\$ 7,840	\$ -	\$ -	\$ (376,523)	\$ -	\$ (376,523)
Recreation and parks	55,578	887	76,535	-	21,844	-	21,844
Public safety	157,334	19,554	-	-	(137,780)	-	(137,780)
Public works and streets	6,418	-	-	-	(6,418)	-	(6,418)
Highways and streets	9,632	-	-	-	(9,632)	-	(9,632)
State street aid	177,180	-	69,138	-	(108,042)	-	(108,042)
Solid waste	135,070	-	-	-	(135,070)	-	(135,070)
Interest on long-term debt	2,304	-	-	-	(2,304)	-	(2,304)
Total governmental activities	927,879	28,281	145,673	-	(753,925)	-	(753,925)
Business-type Activities							
Sewer Operations	162,845	175,790	-	45,000	-	57,945	57,945
Total business-type activities	162,845	175,790	-	45,000	-	57,945	57,945
Total primary government	\$ 1,090,724	\$ 204,071	\$ 145,673	\$ 45,000	(753,925)	57,945	(695,980)
General Revenues:							
Property taxes					404,641	-	404,641
Sales taxes					449,905	-	449,905
Intergovernmental revenues					92,582	-	92,582
Investment income					702	133	835
Miscellaneous					97,383	-	97,383
Total general revenues					1,045,213	133	1,045,346
Change in net position					291,288	58,078	349,366
Net position - beginning					998,825	3,811,082	4,809,907
Net position - ending					\$ 1,290,113	\$ 3,869,160	\$ 5,159,273

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
 Balance Sheet
 Governmental Funds
 June 30, 2022

	Nonmajor Fund		Total Governmental Funds
	General Fund	Special Revenue Drug Enforcement Funds	
ASSETS			
Cash and cash equivalents	\$ 745,102	\$ 33,891	\$ 778,993
Investments	-	-	-
Property taxes receivable	366,259	-	366,259
Due from other governments	79,031	-	79,031
Due from other funds	15,112	14	15,126
Total assets	<u>\$ 1,205,504</u>	<u>\$ 33,905</u>	<u>\$ 1,239,409</u>
LIABILITIES			
Accounts payable	\$ 21,462	\$ -	\$ 21,462
Accrued liabilities	10,257	-	10,257
Total liabilities	<u>31,719</u>	<u>-</u>	<u>31,719</u>
DEFERRED INFLOW OF RESOURCES			
Deferred current property taxes	341,310	-	341,310
Deferred grant funds	216,108	-	216,108
Deferred unavailable property taxes	21,716	-	21,716
Total deferred inflow of resources	<u>579,134</u>	<u>-</u>	<u>579,134</u>
FUND BALANCES			
Restricted			
Special revenue drug enforcement fund	-	33,905	33,905
Unassigned	594,651	-	594,651
Total fund balances	<u>594,651</u>	<u>33,905</u>	<u>628,556</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,205,504</u>	<u>\$ 33,905</u>	<u>\$ 1,239,409</u>

TOWN OF SURGOINSVILLE, TENNESSEE
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2022

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

Total fund balance of governmental funds	\$	628,556
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,307,993 and the accumulated depreciation is \$911,662.		573,897
Long-term pension plan retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This amount is the net pension asset (liability), net of deferred outflows and deferred inflows related to pensions.		82,547
Some of the Town's property taxes will be collected after fiscal year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as deferred inflows of resources in the funds.		21,716
Prepaid expenses are considered expenditures in the governmental funds		12,699
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at fiscal year end consist of a note payable, its related accrued interest payable, and compensated absences.		<u>(29,302)</u>
Net position of governmental activities	\$	<u><u>1,290,113</u></u>

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

	General Fund	Nonmajor Fund Special Revenue Drug Enforcement Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 392,503	-	\$ 392,503
Sales taxes	448,896	-	448,896
Intergovernmental	158,022	-	158,022
Fines and forfeitures	22,305	1,197	23,502
Charges for services	363	-	363
Licenses and permits	7,840	-	7,840
Investment income	669	33	702
Miscellaneous	177,051	1,090	178,141
Total revenues	<u>1,207,649</u>	<u>2,320</u>	<u>1,209,969</u>
EXPENDITURES:			
General Government	432,311	-	432,311
Recreation and parks	39,597	-	39,597
Public safety	390,282	-	390,282
Public works and streets	6,418	-	6,418
State street aid	197,736	-	197,736
Solid waste	120,965	-	120,965
Debt service			
Principal retirement	28,062	-	28,062
Interest	2,304	-	2,304
Total expenditures	<u>1,217,675</u>	<u>-</u>	<u>1,217,675</u>
Excess (deficiency) of revenues over expenditures	<u>(10,026)</u>	<u>2,320</u>	<u>(7,706)</u>
Net change in fund balances	(10,026)	2,320	(7,706)
Fund balance, July 1, 2021	<u>604,677</u>	<u>31,585</u>	<u>636,262</u>
Fund balance, June 30, 2022	<u>\$ 594,651</u>	<u>\$ 33,905</u>	<u>\$ 628,556</u>

TOWN OF SURGOINSVILLE, TENNESSEE
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2022

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

Net change in fund balances of governmental funds	\$ (7,706)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$279,822 is more than depreciation of \$67,813.	212,009
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unavailable revenue at the fund level.	8,165
Sales tax revenue not received within 60 days is not considered a current resource and is not reported as revenues in governmental funds	20,483
Compensated absences not paid within 60 days are not considered a current expenditure for governmental funds	(5,202)
Repayment of principal of long-term debt consumes financial resources of governmental funds.	29,069
Some pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>34,470</u>
Change in net position of governmental activities	<u>\$ 291,288</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Local taxes				
Sales and use tax	\$ 350,000	\$ 425,000	\$ 448,896	\$ 23,896
Property tax	352,000	387,256	392,503	5,247
Total local taxes	702,000	812,256	841,399	29,143
Intergovernmental revenues				
Alcoholic beverage tax	1,000	1,000	860	140
Wholesale beer tax	52,000	81,500	68,484	(13,016)
Payment in lieu of tax	-	14,650	19,540	4,890
Gasoline and motor fuel tax	68,000	68,000	69,138	1,138
Street and transportation	-	-	-	-
Income tax	30,000	-	-	-
Total intergovernmental revenues	151,000	165,150	158,022	(7,128)
Fines and forfeitures				
Municipal Court - fines and forfeitures	17,400	22,195	22,305	110
Total fines and forfeitures	17,400	22,195	22,305	110
Charges for services				
Program fees	500	285	363	78
Total charges for services	500	285	363	78
Licenses and permits				
Alcoholic beverage licenses	500	1,000	1,280	280
Building structure and equipment permits	14,100	6,070	6,560	490
Total licenses and permits	14,600	7,070	7,840	770
Investment earnings				
Interest income	300	600	669	69
Total Investment earnings	300	600	669	69
Other revenues				
Sale of equipment and land	-	24,700	24,700	-
Grants	34,800	79,475	79,869	394
Miscellaneous income	5,500	6,020	72,482	66,462
Total other revenues	40,300	110,195	177,051	66,856
Total revenues	926,100	1,117,751	1,207,649	89,898

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Expenditures				
General government				
Legislative board				
Personnel services	\$ 3,200	\$ 3,200	\$ 2,910	\$ 290
Other services and charges	3,000	1,500	1,200	300
Supplies	550	200	115	85
Total legislative board	<u>6,750</u>	<u>4,900</u>	<u>4,225</u>	<u>675</u>
Financial administration				
Personnel services	88,050	89,900	88,208	1,692
Other services and charges	5,700	8,500	8,640	(140)
Supplies	6,000	5,300	4,140	1,160
Total financial administration	<u>116,750</u>	<u>103,700</u>	<u>100,988</u>	<u>2,712</u>
General administration				
Personnel services	161,800	187,500	188,103	(603)
Other contractual services	103,455	144,223	130,736	13,487
Total general administration	<u>265,255</u>	<u>331,723</u>	<u>318,839</u>	<u>12,884</u>
City hall				
Personnel services	2,300	2,000	1,675	325
Other services and charges	5,000	7,525	5,445	2,080
Supplies	2,000	1,000	1,139	(139)
Total city hall	<u>9,300</u>	<u>10,525</u>	<u>8,259</u>	<u>2,266</u>
Total general government	<u>398,055</u>	<u>450,848</u>	<u>432,311</u>	<u>18,537</u>
Recreation and parks				
Parks and Recreation				
Personnel services	200	200	-	200
Other services and charges	29,100	26,600	34,370	(7,770)
Supplies	16,200	4,600	3,816	784
Total parks and recreation	<u>45,500</u>	<u>31,400</u>	<u>38,186</u>	<u>(6,786)</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Expenditures (continued)				
Recreation and parks (continued)				
Senior citizen activities				
Personnel services	\$ 3,000	\$ 500	\$ -	\$ 500
Other contractual services	3,400	1,850	1,262	588
Supplies	100	200	149	51
Total senior citizen activities	6,500	2,550	1,411	1,139
Total recreation and parks	52,000	33,950	39,597	(5,647)
Public Safety				
Police				
Personnel services	80,000	85,200	76,920	8,280
Other services and charges	11,300	11,050	9,643	1,407
Supplies	17,700	11,100	10,431	669
Total police	109,000	107,350	96,994	10,356
Records and Identification				
Other services and charges	2,200	5,400	5,183	217
Fire protection and control				
Personnel services	500	400	946	(546)
Other services and charges	9,100	16,350	13,773	2,577
Supplies	5,500	6,600	5,096	1,504
Capital Outlay	16,000	283,000	268,290	14,710
Total fire protection and control	31,100	306,350	288,105	18,245
Codes enforcement				
Personnel services	-	-	-	-
Other services and charges	-	-	-	-
Supplies	-	-	-	-
Total codes enforcement	-	-	-	-
Total public safety	142,300	419,100	390,282	28,818

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Expenditures (continued)				
Public works and streets				
Other services and charges	6,900	7,900	5,983	1,917
Supplies	100	300	435	(135)
Total public works and streets	<u>7,000</u>	<u>8,200</u>	<u>6,418</u>	<u>1,782</u>
State street aid				
Personnel services	74,500	93,400	87,078	6,322
Other services and charges	145,800	115,400	110,658	4,742
Total state street aid	<u>220,300</u>	<u>208,800</u>	<u>197,736</u>	<u>11,064</u>
Solid waste				
Personnel services	74,400	85,500	84,204	1,296
Other services and charges	9,000	11,500	9,820	1,680
Supplies	15,000	25,900	26,941	(1,041)
Total solid waste	<u>98,400</u>	<u>122,900</u>	<u>120,965</u>	<u>1,935</u>
Debt service				
Proceeds from debt issuance	-	(185,000)	-	185,000
Principal	25,617	28,064	28,062	2
Interest	4,905	2,305	2,304	1
Total debt service	<u>30,522</u>	<u>(154,631)</u>	<u>30,366</u>	<u>185,003</u>
Total expenditures	948,577	1,089,167	1,217,675	(128,508)
Excess of revenues over expenditures	<u>(22,477)</u>	<u>28,584</u>	<u>(10,026)</u>	<u>(38,610)</u>
Net change in fund balance	(22,477)	28,584	(10,026)	(38,610)
Fund balance, July 1, 2020	<u>604,677</u>	<u>604,677</u>	<u>604,677</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ 582,200</u>	<u>\$ 633,261</u>	<u>\$ 594,651</u>	<u>\$ (38,610)</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Net Position
Proprietary Fund
June 30, 2022

	Sewer Utility Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 119,787
Accounts receivable, net	39,636
Inventory	3,840
Total current assets	163,263
Noncurrent Assets	
Capital assets	5,250,801
Total noncurrent assets	5,250,801
Total assets	5,414,064
LIABILITIES	
Current Liabilities	
Accounts payable	4,089
Accrued interest payable	3,235
Current maturities of bonds payable	32,021
Due to other funds	15,126
Total current liabilities	54,471
Noncurrent Liabilities	
Bonds payable, net of current maturities	1,490,433
Total noncurrent liabilities	1,490,433
Total liabilities	1,544,904
NET POSITION	
Net investment in capital assets	3,728,347
Unrestricted	140,813
Total net position	\$ 3,869,160

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2022

	Sewer Utility Fund
Operating Revenue	
Charges for services	175,790
Total operating revenues	175,790
Operating Expenses	
Distribution expenses	64,381
Supplies	33,975
Personnel services	9,106
Contractual services	2,590
Total operating expenses	110,052
Operating income	65,738
Nonoperating revenues (expenses)	
Interest income	133
Interest on long-term debt	(52,793)
Total nonoperating revenue (expenses)	(52,660)
Change in net position	58,078
Net position, July 1, 2020	3,811,082
Net position, June 30, 2021	\$ 3,869,160

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2021

	<u>Sewer Utility Fund</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 174,751
Cash paid to suppliers	(164,438)
Cash paid to employees and related expenses	<u>(9,106)</u>
Net cash from operating activities	<u>1,207</u>
Cash Flows From Capital and Related Financing Activities	
Capital grants	45,000
Principal paid on capital debt	(31,035)
Interest paid on debt	<u>(52,793)</u>
Net cash from capital and related financing activities	<u>(38,828)</u>
Cash Flows From Investing Activities	
Interest income	<u>133</u>
Net cash from investing activities	<u>133</u>
Net change in cash and cash equivalents	(37,488)
Cash and cash equivalents, July 1, 2020	<u>157,275</u>
Cash and cash equivalents, June 30, 2021	<u>\$ 119,787</u>
Reconciliation of operating income to	
Net cash provided by operating activities	
Operating income	\$ 65,738
Adjustments to reconcile operating income to	
Net cash provided by operating activities	
(Increase) decrease in	
Accounts Receivable	(1,312)
Increase (decrease)	
Accounts payable	(3,368)
Due to other funds	<u>(59,851)</u>
Net cash used for operating activities	<u>\$ 1,207</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction - The Town of Surgoinsville, Tennessee (the “Town”) is a municipal corporation governed by a Board of Mayor and Aldermen form of government. As required by accounting principles accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Town does not have any component units.

Financial Reporting Entity - Basis of Presentation

Government-wide 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 Town 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 fines and forfeitures, and other charges to users for the Town’s services; (2) operating grants and contributions which finance annual operating activities; and (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.

Fund Financial Statements - Fund financial statements are provided for governmental funds and the proprietary fund. Major individual governmental and proprietary funds are reported in separate columns, with the remaining governmental fund reported as a nonmajor fund.

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 Town’s reporting entity applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements.

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). Reimbursements are reported as reductions to expenses. Property tax revenues are recognized in the fiscal year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

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 sixty (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 fiscal year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, intergovernmental revenues, and interest 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. When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as needed.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Allocation of Indirect Expenses - The Town allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall Town management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

Governmental Funds - The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

Special Revenue Drug Enforcement Fund - required by State law to be maintained by the Town. This fund is used to account for all drug-related confiscations seized by the Town. Expenditures in this fund are restricted to drug enforcement control in the Town.

Solid Waste Management Fund - reported within the General Fund and is required by State law to be maintained by the Town. This fund is used to account for financial activities related to the management of solid waste.

Proprietary Funds - The Town reports the following major enterprise funds:

Sewer Utility Fund - accounts for the operating activities of the Town's sewer utilities services.

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net positions / Fund Balance

Cash, Cash Equivalents and Investments - The Town's cash is considered to be cash on hand, demand deposits, regular savings accounts and certificates of deposits with an original maturity less than 91 days. The Town's investment is considered to be a certificate of deposit with an original maturity of more than ninety days.

Receivable and Payables - Property taxes are due and payable on or before February 28th of the following year. All unpaid taxes become delinquent March 1st of the following year. The Town bills and collects its own property taxes.

An enforceable lien exists at January 1st of each year for property taxes that will be billed in October for the next year's tax assessments. The 2022 property tax levy was booked in the amount of \$333,914 to taxes receivable and deferred current property taxes as of June 30, 2022.

Property taxes collected within 60 days of fiscal year end are considered available and accrued. For the fiscal year ended June 30, 2022, the 2021 calendar year property tax rate was \$1.20 per \$100 of assessed value.

Inventory - Inventory is valued at cost.

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. The Town maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value of the date donated. The Town generally capitalizes assets with cost of \$5,000 or more for purchases and construction outlays. The costs or 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 of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Assets, Depreciation, and Amortization (Continued)

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units were required to account for all capital assets in government-wide statements, including infrastructure prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets was encouraged but not required until January 1, 2007. However, GASB 34 provided the option for Phase 3 governments to not report infrastructure assets retroactively. As a Phase 3 government, the Town of Surgoinsville elected not to report infrastructure assets retroactively.

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

Buildings	10 - 40
Improvements other than buildings	10 - 50
Mobile equipment	3 - 10
Furniture machinery and equipment	3 - 10

Infrastructure related to the sewer system, which was placed in service beginning in fiscal year 2016, is not depreciated. The Town has elected to use the modified approach for this asset. The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset, but do not add to or improve the asset. Improvements to infrastructure are capitalized.

Deferred Outflows / Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate 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 has items that qualify for reporting in this category. These items are reported on the government-wide statement of net position. These expenses are current fiscal year retirement contributions and differences in actuarial experience and investment earnings related to the net pension liability. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has items that qualify for reporting in this category. These items are reported in some cases on the government-wide statement of net position, and in other cases, on the governmental funds balance sheet. These revenues are from current and delinquent property taxes, which do not meet the availability criteria for governmental funds, and differences in actuarial experience related to the net pension liability. These amounts are deferred and recognized as an inflow of resources in the period they become available.

Due from other Governments - Amounts due from other governments are primarily comprised of amounts due from wholesale beer collections and relate to intergovernmental revenues.

Revenues, Expenditures, and Expenses

Compensated Absences - 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. Compensated absences are reported as accrued in the governmental funds' financial statements based on timing of anticipated payment. The payment due subsequent to fiscal year end for one employee's retirement by June 30, 2022 is reflected as a current liability in the governmental funds balance sheet. Eligibility guidelines follow.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Compensated Absences (continued)

Only full-time employees are eligible for any type of paid leave. Beginning January 1st after hire date, employees receive leave in accordance with the following:

<u>Completed Service</u>	<u>Credit Per Year</u>
1 - 5	80 hours
5 - 10	120 hours
11 or more years	160 hours

Employees hired before January 1st or who have been on leave and have returned with doctor's approval have prorated vacation:

<u>Completed Service</u>	<u>Credit Per Year</u>
1 - 5	8 hours for each 37 days of service
5 - 10	8 hours for each 24 days of service
11 or more years	8 hours for each 18 days of service

One week (40 hours) vacation time can be carried over to the next year. An employee's total credit for vacation leave cannot exceed four (4) weeks.

Employees get three sick days per year (24 hours total for 12 hour shift) and can accumulate up to 30 days (240 hours total), but are not paid for unused sick time if terminated / resign.

The Town has twelve paid holidays per year (96 hours, 8 days for 12 hour shift). If a full-time employee is required to work on the holiday, (s)he can take another day off in lieu of the actual holiday or will be paid time and one-half for the holiday worked. The substituted day off must be taken within thirty days. All holiday time must be used in the current year.

The Town's personnel policies related to the payment of earned, but unused compensatory time are silent, though due to a specific precedent set during fiscal year 2022 related to a specific employee, management chose to accrue earned, but unused compensatory time for all applicable employees at June 30, 2022.

Long-Term Obligations - In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity - In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Town has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed Fund Balance - amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Board of Mayor and Alderman). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level of action to remove or change the constraint.

Assigned Fund Balance - amounts the Town intends to use for a specific purpose. Intent can be expressed by the Board of Mayor and Alderman or by an official or body to which the Board of Mayor and Alderman delegates the authority.

Unassigned Fund Balance - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

The Board of Mayor and Alderman establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Mayor and Alderman through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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 as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Mayor and Alderman. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. No revisions to the budget were made for the fiscal year.

Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP"). Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the proprietary fund statements and the government-wide statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS

The Town maintains cash and investment accounts that are available for use by all funds, other than \$840 of cash on hand available for use by the general fund. Each fund is displayed on the balance sheet and statement of net position as “cash” and “investments” under each fund’s caption. The Town follows *Tennessee Code Annotated (“TCA”)* sections relating to investing funds. State statutes including *TCS Sections 7-86-122* and *5-8-301* specify deposit and investment provisions.

Deposits - Various restrictions on deposits are imposed by state statutes. State statutes require all deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. If the financial institution does not participate in the Bank Collateral Pool, the financial institution must provide a monthly statement of securities pledged to collateralize the balance.

The Town does not have a policy for interest rate risk or other credit risk other than pledging of securities for amounts in excess of FDIC coverage. The Town is exposed to concentration of credit risk by placing its deposits in financial institutions. The Town has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a policy related to such risk. At June 30, 2022, the carrying amount of the Town’s deposits was \$898,781 and the bank balance was \$925,320 was covered entirely by federal depository insurance corporation or was collateralized with securities held by the Town’s agent in the Town’s name.

Investments - State statutes authorize the Town to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association; other obligations not listed above that are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested - provided that municipalities may invest in repurchase agreements only if the state director of local finance approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board; the State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

At June 30, 2022, the Town had no investments.

NOTE 4 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited 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, and settlements have not exceeded coverage in the past three fiscal years.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 5 - CAPITAL ASSETS

Governmental Activities

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

Governmental Activities	Primary Government			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	\$ 167,038	\$ -	\$ -	\$ 167,038
Total capital assets not being depreciated	<u>167,038</u>	<u>-</u>	<u>-</u>	<u>167,038</u>
Capital assets being depreciated				
Buildings	515,676	-	-	515,676
Furniture, machinery, and equipment	<u>625,279</u>	<u>279,822</u>	<u>(98,000)</u>	<u>807,101</u>
Total capital assets being depreciated	1,140,955	279,822	(98,000)	1,322,777
Less accumulated depreciation	<u>(946,105)</u>	<u>(67,813)</u>	<u>98,000</u>	<u>(915,918)</u>
Other capital assets, net	<u>194,850</u>	<u>212,009</u>	<u>-</u>	<u>406,859</u>
Governmental activities capital assets, net	<u>\$ 361,888</u>	<u>\$ 212,009</u>	<u>\$ -</u>	<u>\$ 573,897</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,775
Public Safety	40,425
Parks and recreation	15,981
Highways and streets	<u>9,632</u>
	<u>\$ 67,813</u>

Business-type Activities

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

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Infrastructure	\$ 5,280,801	\$ -	\$ -	\$ 5,280,801
Business-type activities capital assets, net	<u>\$ 5,280,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,280,801</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Generally outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at fiscal year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. These balances resulted from advances from the general fund to the sewer utility fund.

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable Fund	Payable fund	Amount
General	Sewer	\$ 15,126
Total		<u>\$ 15,126</u>

NOTE 7 - LONG TERM DEBT

The following is a summary of the Town’s long-term debt transactions for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year
Governmental Activities					
Note payable	\$ 57,254	\$ -	\$ (28,062)	\$ 29,192	\$ 29,192
Compensated absences	14,742	5,202	-	19,944	-
Net pension liability	<u>7,425</u>	<u>-</u>	<u>31,456</u>	<u>38,881</u>	<u>-</u>
Governmental Activities					
Long-term liabilities	<u>79,421</u>	<u>5,202</u>	<u>3,394</u>	<u>88,017</u>	<u>29,192</u>
Business-type Activities					
Revenue and tax bonds	<u>1,553,489</u>	<u>-</u>	<u>(31,035)</u>	<u>1,522,454</u>	<u>32,021</u>
Total long-term debt	<u>\$ 1,632,910</u>	<u>\$ 5,202</u>	<u>\$ (27,641)</u>	<u>\$ 1,610,471</u>	<u>\$ 61,213</u>

For governmental activities, compensated absences and the net pension liability are liquidated by the general fund.

Governmental Activities

The Town entered into a capital outlay note payable in 2011 with a bank for land and improvement for the development of a fire station in the amount of \$200,000. The note is due in annual installments of principal and interest. The interest rate is 4.01% and the note matures May 20, 2023. The full faith and credit of the Town is pledged for this note.

The Town entered into a capital outlay note payable in 2018 with a bank for police equipment in the amount of \$40,839. The note is due in annual installments of principal and interest. The interest rate is 4.00% and the note matures October 22, 2022. The full faith and credit of the Town is pledged for this note.

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 7 - LONG TERM DEBT (Continued)

A summary of long-term debt for governmental activities through June 30, 2022 is as follows:

<u>Note Payable</u>	<u>Date Issued</u>	<u>Amount Authorized and Issued</u>	<u>Inteest Rate</u>	<u>Fiscal year of Maturity</u>	<u>Outstanding June 30, 2022</u>
Capital Outlay Note, Series 2011	05/20/11	\$ 200,000	4.01%	2023	\$ 20,502
Capital Outlay Note, Series 2018	03/15/18	\$ 40,839	4.00%	2023	<u>8,690</u>
Total governmental activities note payable					<u>\$ 29,192</u>

The annual requirements to amortize all governmental activities long-term debt, including principal and interest, outstanding as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Series 2011</u>		<u>Series 2018</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 20,502	\$ 88	\$ 8,690	\$ 353	\$ 29,192	\$ 441
Total	<u>\$ 20,502</u>	<u>\$ 88</u>	<u>\$ 8,690</u>	<u>\$ 353</u>	<u>\$ 29,192</u>	<u>\$ 441</u>

Business-Type Activities

The Town entered into a bond obligation on September 5, 2014 with the United States Department of Agriculture (USDA) Rural Development for the construction of a sewer system in the amount of \$530,000. The bond issue is due in monthly installments of \$2,030. The interest rate is 3.25% and the maturity date is September 5, 2052. This bond is secured by a pledge of income and revenues to be derived from the operation of the sewer system.

The Town entered into a bond obligation on October 8, 2015 with the USDA Rural Development for the construction of a sewer system in the amount of \$953,000. The bond issue is due in monthly installments of \$3,784. The interest rate is 3.50% and the maturity date is October 8, 2053. This bond is secured by a pledge of income and revenues to be derived from the operation of the sewer system.

The Town entered into a bond obligation on January 1, 2018 with the USDA Rural Development for the additional construction of the sewer system in the amount of \$300,000. The bond issue is due in monthly installments of \$3,784. The interest rate is 3.50% and the maturity date is January 1, 2041. This bond is secured by a pledge of income and revenues to be derived from the operation of the sewer system.

A summary of long-term debt for business-type activities through June 30, 2022 is as follows:

<u>Description</u>	<u>Dates Issued</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Fiscal year of Maturity</u>	<u>Amount Outstanding June 30, 2022</u>
Sewer revenue and tax bnd, Series 2010	09/05/14	\$ 530,000	3.25%	2053	\$ 467,183
Sewer revenue and tax bnd, Series 2014	10/08/15	953,000	3.50%	2054	862,619
Sewer revenue and tax bnd, Series 2018	01/19/18	300,000	3.50%	2041	<u>192,652</u>
Total business type activities revenues and tax bonds					<u>\$ 1,522,454</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 7 - LONG TERM DEBT (Continued)

The annual requirements to amortize all business-type activities long-term debt, including principal and interest, outstanding as of June 30, 2022 are as follows:

Year Ending June 30,	Series 2010		Series 2014		Series 2018		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 9,314	\$ 15,047	\$ 15,365	\$ 29,836	\$ 7,342	\$ 6,626	\$ 32,021	\$ 51,509
2024	9,621	14,739	15,912	29,289	7,603	6,365	33,136	50,393
2025	9,938	14,422	16,478	28,723	7,875	6,094	34,291	49,239
2026	10,266	14,094	17,064	28,137	8,154	5,814	35,484	48,045
2027	10,605	13,755	17,671	27,530	8,444	5,524	36,720	46,809
2027-2031	58,507	63,293	98,241	127,765	46,943	22,897	203,691	213,955
2032-2036	68,817	52,983	116,999	109,006	55,907	13,933	241,723	175,922
2037-2041	80,940	40,860	139,340	86,665	50,384	3,552	270,664	131,077
2042-2046	95,202	26,598	165,944	60,059	-	-	261,146	86,657
2047-2051	111,974	9,826	197,631	28,374	-	-	309,605	38,200
2052-2056	1,999	-	61,974	4,560	-	-	63,973	4,560
Total	\$ 467,183	\$ 265,617	\$ 862,619	\$ 559,944	\$ 192,652	\$ 70,805	\$ 1,522,454	\$ 896,366

NOTE 8 - FEDERAL AND STATE 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 authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN

General Information about the Pension Plan

Plan description: Employees of the Town 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/Boards-and-Governance/Reporting-and-Investment-Policies>.

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

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN (Continued)

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	5
Inactive employees entitled to but not yet receiving benefits	8
Active employees	9
	22

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 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 were \$41,101 based on a rate of 13.33 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's 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) - The Town's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.5 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 pension plan investment expenses, including inflation	

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

The actuarial assumptions used in the June 30, 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:

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN (Continued)

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

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

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/20	\$ 567,132	\$ 551,398	\$ 15,734
Changes for the year:			
Service Cost	22,552	-	22,552
Interest	41,542	-	41,542
Differences between expected and actual experience	24,509	-	24,509
Changes in assumptions	48,514	-	48,514
Contributions - employer	-	35,244	(35,244)
Contributions - employee	-	13,190	(13,190)
Net investment income	-	144,084	(144,084)
Benefit payments, including refunds of employee contributions	(33,373)	(33,373)	-
Administrative expense	-	(786)	786
Net changes	<u>103,744</u>	<u>158,359</u>	<u>(54,615)</u>
Balances at 6/30/21	<u>\$ 670,876</u>	<u>\$ 709,757</u>	<u>\$ (38,881)</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Notes to the Financial Statements (Continued)

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN (Continued)

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

	1 % Decrease (5.75%)	Current Discount Rate (6.75%)	1 % Increase (7.75%)
Net pension liability (asset)	\$ 32,868	\$ (38,881)	\$ (100,619)

Pension expense (Negative Pension Expense): For the fiscal year ended June 30, 2022, the Town recognized pension expense (negative pension expense) of \$5,652.

Deferred outflows of resources and deferred inflows of resources: For the year ended June 30, 2022, the Town 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	\$ 30,561	\$ 3,805
Net difference between projected and actual earnings of pension plan investments	-	76,966
Changes in assumptions	43,546	
Contributions subsequent to measurement date of June 30, 2021	50,330	-
Total	<u>\$ 124,437</u>	<u>\$ 80,771</u>

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

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

Year ended June 30:	
2023	\$ (1,931)
2024	(5,221)
2025	(3,135)
2026	(8,547)
2027	<u>12,171</u>
Total	<u>\$ (6,663)</u>

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

TOWN OF SURGOINSVILLE, TENNESSEE
 Modified Approach For Sewer System Infrastructure
 June 30, 2022

The Town has adopted the modified approach for reporting infrastructure assets in the Sewer System. Under this approach, the Town expenses certain maintenance and preservation costs and does not report depreciation expense. The Town defines infrastructure as the basic physical assets including the public sanitary sewer collection system, and the major subsystems thereof, including pipe, individual STEP (Septic Tank Effluent Pump) component sand flow metering, used by the Town in the conduct of business. The Town maintains detailed information of the infrastructure capital assets.

Eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The Town manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up to date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The Town documents that the eligible infrastructure capital assets are being preserved approximately at or above the established disclosed condition assessment level.

The public sanitary sewer collection system, and the major subsystems thereof, including pipe, individual STEP components and flow metering, were defined as all physical features associated with the operation of public sanitary sewer collection system that exist with the limits of right of way or easements. The Town has adopted a simple scale for the purpose of scoring the condition of the assets as follows:

<u>Condition</u>	<u>Rating</u>	
Like new	1	
Functions as intended	2*	current rating
Not Functioning as intended	3	
Not operational	4	

A physical condition assessment of the public sanitary sewer collection system infrastructure assets is completed at least every three (3) years or more often if deemed necessary by the Board of Mayor and Alderman.

The Town Policy established by the Initial Condition Report as of June 30, 2016 is to achieve an average rating of 2 “Functions as Intended” for all of the public sanitary sewer collection system. This rating allows minor issues to be present. As of June 30, 2022, the Town’s public sanitary sewer collection system was rated at a 2 on average with the detail condition “Functions as Intended.” There being only two (2) significant condition issues found, those being:

- 1) an inflow and infiltration issue exists at the site of the two (2) Hawkins County schools which continues to be under active investigation; and,
- 2) a disputed “inverted syphon” condition was created during construction of the sewer main line serving the Johnson Estates Sewer Extension Project which required additional engineering and converting one (1) S.T.E.G. unit to a S.T.E.P. unit, which was resolved in 2019 by a cash settlement agreement with the engineer. There may be periodic flushing maintenance of the sewer main line required by low wastewater velocity during low flow times creating conditions for sediment deposit to cause blockage. “Pig-stations” have been installed to permit future video inspection of the sewer line which will be treated as a maintenance issue.

The Town’s public sanitary sewer collection system infrastructure assets will constantly deteriorate as a result of use. The Town shall calculate needed maintenance of its public sanitary sewer collection system as part of its Annual Budget consideration and anticipates continuously taking actions to arrest such deterioration through short-term maintenance activities. However, the scheduling of these maintenance activities may cross fiscal years. Also, sewer components will likely be restored as utility work is performed. Therefore, actual maintenance expenditures may be less than or greater than the expected expenditures in any fiscal year.

TOWN OF SURGOINSVILLE, TENNESSEE
Modified Approach For Sewer System Infrastructure (continued)

Actual and Budgeted Sewer Maintenance and Preservation Costs

<u>Year Ended June 30</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Estimated	\$ 5,000	\$ 5,000	\$ 17,750	\$ 20,000	\$ 38,000
Actual	46,081	7,205	17,676	19,738	23,661

These expenditures delayed deterioration, however the overall condition of the public sanitary sewer collection system was not improved from "Functions as Intended" condition through these maintenance expenditures. The Town has estimated that the amount of annual expenditures required to maintain the public sanitary sewer collection system at the average rating of 2 through the year is a minimum of Forty Thousand and 00/loo's Dollars (\$40,000.00). The Town has created an on-going sewer rehabilitation program funded in the Capital Improvement Program which will be intended to maintain the condition rating of public sanitary sewer collection system. The Public Works Director reports the sewer Flow Meter readings monthly to the Board of Mayor and Aldermen.

During the three (3) fiscal years ending June 30, 2022, the principle change in the asset condition has been ordinary wear to individual S.T.E.P. pumps. There have been no significant recognized adverse changes in condition levels of other public sanitary sewer collection system infrastructure assets. The goal in the next triennial cycle, at which time S.T.E.P. pumps will be nearing the halfway point of their expected service life, will be to have a professional life-Cycle evaluation to optimize preventative maintenance and replacement funding by an outside engineering consultant. A long-term funding strategy will be developed taking into account the results of that life-cycle evaluation, changes in replacement cost over time and in consideration of the reduction of Town's sewer construction debt service load over such life-cycle.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of TCRS
Year Ended June 30, 2022

Measurement Period Ended	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Total pension liability								
Service cost	\$ 11,467	\$ 16,717	\$ 17,470	\$ 16,268	\$ 14,922	\$ 22,335	\$ 22,772	\$ 22,552
Interest	23,576	26,666	29,018	31,146	34,106	36,590	38,284	41,542
Differences between expected and actual experience	11,418	(2,258)	(5,989)	6,146	39	(9,514)	15,174	24,509
Changes of assumptions	-	-	-	18,703	-	-	-	48,514
Benefit payments, including refunds of employee contributions	(10,518)	(10,518)	(10,518)	(11,326)	(20,209)	(24,225)	(28,749)	(33,373)
Net change in total pension liability (asset)	35,943	30,607	29,981	60,937	28,858	25,186	47,481	103,744
Total pension liability (asset) - beginning	308,139	344,082	374,689	404,670	465,607	494,465	519,651	567,132
Total pension liability (asset) - ending (a)	<u>\$ 344,082</u>	<u>\$ 374,689</u>	<u>\$ 404,670</u>	<u>\$ 465,607</u>	<u>\$ 494,465</u>	<u>\$ 519,651</u>	<u>\$ 567,132</u>	<u>\$ 670,876</u>
Plan fiduciary net position								
Contributions - employer	\$ 32,237	\$ 30,003	\$ 29,970	\$ 31,598	\$ 37,234	\$ 35,228	\$ 31,145	\$ 35,244
Contributions - employee	11,163	10,082	10,070	10,533	11,380	10,749	11,656	13,190
Net investment income	33,636	8,185	8,042	38,629	33,909	34,764	25,740	144,084
Benefit payments, including refunds of employee contributions	(10,518)	(10,518)	(10,518)	(11,326)	(20,209)	(24,225)	(28,749)	(33,373)
Administrative expense	(279)	(305)	(454)	(509)	(647)	(580)	(620)	(786)
Net change in plan fiduciary net position	66,239	37,447	37,110	68,925	61,667	55,936	39,172	158,359
Plan fiduciary net position - beginning	184,902	251,141	288,588	325,698	394,623	456,290	512,226	551,398
Plan fiduciary net position - ending (b)	<u>\$ 251,141</u>	<u>\$ 288,588</u>	<u>\$ 325,698</u>	<u>\$ 394,623</u>	<u>\$ 456,290</u>	<u>\$ 512,226</u>	<u>\$ 551,398</u>	<u>\$ 709,757</u>
Net pension liability (asset) - ending (a) - (b)	\$ 92,941	\$ 86,101	\$ 78,972	\$ 70,984	\$ 38,175	\$ 7,425	\$ 15,734	\$ (38,881)
Plan fiduciary net position as a percentage of the total pension liability	72.99%	77.02%	80.48%	84.75%	92.28%	98.57%	97.23%	105.80%
Covered - employee payroll	\$ 223,251	\$ 201,631	\$ 201,409	\$ 210,651	\$ 227,594	\$ 223,264	\$ 233,123	\$ 263,800
Net pension liability (asset) as a percentage of covered employee payroll	41.63%	42.70%	39.21%	33.70%	16.77%	3.33%	6.75%	-14.74%

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

GASB Statement No. 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB No. 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied from TCRS GASB website for prior fiscal years' data, if needed.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS
Year Ended June 30, 2022

Measurement period ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 32,237	\$ 30,003	\$ 29,970	\$ 31,598	\$ 37,234	\$ 35,228	\$ 31,145	\$ 35,244	\$ 41,101
Contributions in relation to the actuarially determined contribution	<u>32,237</u>	<u>30,003</u>	<u>29,970</u>	<u>31,598</u>	<u>37,234</u>	<u>35,228</u>	<u>31,145</u>	<u>35,244</u>	<u>50,330</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,229</u>
Covered employee payroll	\$ 223,251	\$ 201,631	\$ 201,409	\$ 210,651	\$ 227,594	\$ 223,264	\$ 233,123	\$ 263,800	\$ 307,639
Contributions as a percentage of covered employee payroll	14.44%	14.88%	14.88%	15.00%	16.36%	15.78%	13.36%	13.36%	13.36%

GASB Statement No. 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB No. 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from TCRS GASB website for prior fiscal years' data, if needed.

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:	Level dollar, closed (not to exceed 20 years)
Remaining amortization period:	Varies by year
Asset valuation method:	10-year smoothed within a 20 percent corridor to market value
Inflation:	2.5 percent
Salary increases:	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.0 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 auditors' report.

TOWN OF SURGOINSVILLE, TENNESSEE
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2022

Grantor / Pass-Through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Expenditures
<u>Federal Awards</u>				
<i>Sewer fund</i>				
US Department of Treasury passed through State of Tennessee	21.019	N/A	\$ -	\$ 45,000
<u>State Awards</u>				
<i>General Fund</i>				
State of Tennessee / Governor's Local Support Grant	N/A	N/A	-	34,256

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal and state awards (the schedule) includes the federal award activity of the Town of Surgoinsville, Tennessee under programs of the federal government for the fiscal year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting.

NOTE 3 - INDIRECT COST RATE

The Town has elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Drug Enforcement Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Court fines and costs	\$ 100	\$ 1,200	\$ 1,197	\$ (3)
Investment Income	40	30	33	3
Sale of contraband	<u>7,000</u>	<u>1,075</u>	<u>1,090</u>	<u>15</u>
Total revenues	<u>7,140</u>	<u>2,305</u>	<u>2,320</u>	<u>15</u>
Expenditures				
Public safety	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	5,340	2,305	2,320	15
Fund balance, July 1, 2021	<u>31,585</u>	<u>31,585</u>	<u>31,585</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 36,925</u>	<u>\$ 33,890</u>	<u>\$ 33,905</u>	<u>\$ 15</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Changes in Property Taxes Receivable - By Levy Year
Year Ended June 30, 2022

Tax Year	Property Tax Receivable Balance June 30, 2021	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Property Tax Receivable Balance June 30, 2022
2022	\$ -	\$ -	\$ 341,285	\$ -	\$ -	\$ 341,285
2021		329,477	-	-	(316,929)	12,548
2020	12,523	-	-	-	(7,181)	5,342
2019	2,173	-	-	-	(270)	1,903
2018	1,950	-	-	-	(121)	1,829
2017	1,155	-	-	-	(2)	1,153
2016	434	-	-	-	(2)	432
2015	346	-	-	-	(2)	344
2014	743	-	-	-	(2)	741
2013	457	-	-	-	(5)	452
2012	235	-	-	-	(5)	230
Totals	<u>\$ 20,016</u>	<u>\$ 329,477</u>	<u>\$ 341,285</u>	<u>\$ -</u>	<u>\$ (324,519)</u>	<u>366,259</u>

Uncollected Delinquent Taxes Filed in Chancery Court:

As of July 1, 2022, all of the above delinquent taxes for 2012 through 2021 have been filed by the Town Attorney with the Hawkins County Chancery Court. On March 1 of each year, the unpaid taxes for the preceding calendar year are submitted by the Town Recorder to the Town Attorney, and on the subsequent July 1, the Town Attorney files suit in Chancery Court. A detailed list is presented to the Court for each delinquent taxpayer.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Changes in Long-Term Debt By Individual Issue
For the Year Ended June 30, 2022

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2020	Issued during Period	Paid During Period	Outstanding June 30, 2021
Governmental Activities:								
BB&T Capital Outlay Note Series 2011	\$ 200,000	4.01%	5/20/2011	5/20/2023	\$ 40,212	\$ -	\$ 19,710	\$ 20,502
Civis Bank Outlay Note 2018	45,216	4.00%	3/15/2018	10/15/2022	<u>17,042</u>	<u>-</u>	<u>8,352</u>	<u>8,690</u>
Total Governmental Type Activities					<u>\$ 57,254</u>	<u>\$ -</u>	<u>\$ 28,062</u>	<u>\$ 29,192</u>
Business-type Activities:								
Rural Development, Sewer Revenue and Tax Bond Series 2010	530,000	3.25%	9/5/2014	9/5/2052	476,199	-	9,016	467,183
Rural Development, Sewer Revenue and Tax Bond Series 2014	953,000	3.50%	10/8/2015	10/8/2053	877,549	-	14,930	862,619
Rural Development, Sewer Revenue and Tax Bond Series 2018	300,000	3.50%	1/19/2018	1/19/2041	<u>199,741</u>	<u>-</u>	<u>7,089</u>	<u>192,652</u>
Total Business-type Activities					<u>\$ 1,553,489</u>	<u>\$ -</u>	<u>\$ 31,035</u>	<u>\$ 1,522,454</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Sewer Revenue and Tax Bond - Series 2010
Year Ended June 30, 2022

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2023	\$ 9,314	\$ 15,047	\$ 24,361
2024	9,621	14,739	24,360
2025	9,938	14,422	24,360
2026	10,266	14,094	24,360
2027	10,605	13,755	24,360
2028	10,954	13,406	24,360
2029	11,316	13,044	24,360
2030	11,689	12,671	24,360
2031	12,075	12,285	24,360
2032	12,473	11,887	24,360
2033	12,885	11,475	24,360
2034	13,310	11,050	24,360
2035	13,749	10,611	24,360
2036	14,202	10,158	24,360
2037	14,671	9,689	24,360
2038	15,155	9,205	24,360
2039	15,655	8,705	24,360
2040	16,171	8,189	24,360
2041	16,704	7,656	24,360
2042	17,255	7,105	24,360
2043	17,825	6,535	24,360
2044	18,413	5,947	24,360
2045	19,020	5,340	24,360
2046	19,648	4,712	24,360
2047	20,296	4,064	24,360
2048	20,965	3,395	24,360
2049	21,657	2,703	24,360
2050	22,371	1,989	24,360
2051	23,109	1,251	24,360
2052	23,872	488	24,360
2053	1,999	-	1,999
	<u>\$ 467,183</u>	<u>\$ 265,617</u>	<u>\$ 732,800</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Sewer Revenue and Tax Bond - Series 2014
Year Ended June 30, 2022

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2023	\$ 15,365	\$ 29,836	\$ 45,201
2024	15,912	29,289	45,201
2025	16,478	28,723	45,201
2026	17,064	28,137	45,201
2027	17,671	27,530	45,201
2028	18,299	26,902	45,201
2029	18,950	26,251	45,201
2030	19,624	25,577	45,201
2031	20,322	24,879	45,201
2032	21,046	24,156	45,202
2033	21,793	23,408	45,201
2034	22,569	22,632	45,201
2035	23,371	21,830	45,201
2036	24,203	20,998	45,201
2037	25,063	20,138	45,201
2038	25,955	19,246	45,201
2039	26,878	18,323	45,201
2040	27,834	17,367	45,201
2041	28,824	16,377	45,201
2042	29,849	15,352	45,201
2043	30,911	14,290	45,201
2044	32,010	13,191	45,201
2045	33,149	12,052	45,201
2046	34,328	10,873	45,201
2047	35,546	9,653	45,199
2048	36,813	8,388	45,201
2049	38,122	7,079	45,201
2050	39,478	5,723	45,201
2051	40,882	4,319	45,201
2052	42,336	2,865	45,201
2053	43,842	1,359	45,201
2054	18,132	3,201	21,333
	<u>\$ 862,619</u>	<u>\$ 559,944</u>	<u>\$ 1,422,563</u>

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Sewer Revenue and Tax Bond - Series 2018
Year Ended June 30, 2022

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2023	\$ 7,342	\$ 6,626	\$ 13,968
2024	7,603	6,365	13,968
2025	7,875	6,094	13,969
2026	8,154	5,814	13,968
2027	8,444	5,524	13,968
2028	8,744	5,224	13,968
2029	9,055	4,913	13,968
2030	9,377	4,591	13,968
2031	9,711	4,257	13,968
2032	10,056	3,912	13,968
2033	10,414	3,554	13,968
2034	10,784	3,184	13,968
2035	11,168	2,800	13,968
2036	11,565	2,403	13,968
2037	11,976	1,992	13,968
2038	12,402	1,566	13,968
2039	12,843	1,125	13,968
2040	13,300	668	13,968
2041	11,839	193	12,032
	<u>\$ 192,652</u>	<u>\$ 70,805</u>	<u>\$ 263,457</u>

TOWN OF SURGOINSVILLE, TENNESSEE
 Schedule of Property Tax Rates and Assessments - Last 10 Years
 Year Ended June 30, 2022

Fiscal Year	Tax Year	Tax Rate	Assessed Value	Tax Due
2022	2021	\$ 0.97	\$ 34,555,905	333,914
2021	2020	1.20	27,456,380	329,477
2020	2019	1.20	29,516,889	354,203
2019	2018	1.20	29,733,167	356,798
2018	2017	1.20	29,167,750	350,013
2017	2016	1.20	29,243,790	350,925
2016	2015	1.20	29,952,600	359,431
2015	2014	1.20	27,607,788	331,293
2014	2013	1.20	30,135,250	361,623
2013	2012	1.20	29,995,700	359,948

Note: Tax rates are per \$100 of assessed value.

TOWN OF SURGOINSVILLE, TENNESSEE

Property Tax Rates

Direct and Overlapping Governments

Year Ended June 30, 2022

Fiscal Year Ended June 30	Town of Surgoinville Direct Rate	Overlapping Rates Hawkins County Tennessee	Total Direct and Overlapping Rates
2013	\$ 1.20	\$ 2.35	\$ 3.55
2014	1.20	2.35	3.55
2015	1.20	2.47	3.67
2016	1.20	2.47	3.67
2017	1.20	2.53	3.73
2018	1.20	2.53	3.73
2019	1.20	2.53	3.73
2020	1.20	2.53	3.73
2021	1.20	2.53	3.73
2022	0.97	2.32	3.28

Overlapping rates are those of local and county governments that apply to property owners within the Town of Surgoinville, Tennessee.

TOWN OF SURGOINSVILLE, TENNESSEE

Ratios of Outstanding Debt By Type

Year Ended June 30, 2022

Fiscal Year Ended June 30	Governmental Activities	Business-Type Activities	Total Primary Government	Population	Per Capita
	Notes Payable	Sewer Revenue Bonds			
2012	\$ 282,382	\$ -	\$ 282,382	1,801	157
2013	240,931	-	240,931	1,801	134
2014	175,034	-	175,034	1,801	97
2015	149,151	-	149,151	1,801	83
2016	127,934	1,461,988	1,589,922	1,801	883
2017	111,741	1,441,790	1,553,531	1,801	863
2018	136,412	1,643,759	1,780,171	1,801	988
2019	110,162	1,613,551	1,723,713	1,801	957
2020	84,228	1,582,007	1,666,235	1,801	925
2021	57,254	1,553,489	1,610,743	1,742	925
2022	29,192	1,522,454	1,551,646	1,742	891

Population from the 2010 U.S. Census was used for 2012-2020. The 2020 U.S. Census was used for 2021 and 2022.

TOWN OF SURGOINSVILLE, TENNESSEE

Pledged-Revenue Coverage

Year Ended June 30, 2022

Fiscal Year Ended June 30	Sewer Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2014	\$ 93,287	\$ 5,566	\$ 87,721	\$ -	\$ -	-
2015	75,687	35,764	39,923	5,437	14,001	2.05
2016	180,019	103,351	76,668	15,575	54,543	1.09
2017	201,699	77,876	123,823	20,198	49,654	1.77
2018	176,069	74,951	101,118	23,562	52,133	1.34
2019	174,155	115,442	58,713	26,920	56,763	0.70
2020	167,923	94,182	73,741	31,544	53,728	0.86
2021	168,347	83,383	84,964	28,518	53,744	1.03
2022	175,790	110,052	65,738	31,035	52,793	0.78

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Utility Rate Structure and Number of Customers
Year Ended June 30, 2021

Sewer rates

Water utility metered (Based on 100% usage)	Twenty dollars (\$20.00) plus \$7.20 per one thousand (1,000) gallons of water used.
Metered flow other source (Based on 100% usage)	Twenty dollars (\$20.00) plus \$7.20 per one thousand (1,000) gallons of water used.
Customers	338

DAVID M. ELLIS
Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, 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***

To the Board of Mayor and Aldermen
Town of Surgoinsville, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Surgoinsville, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Surgoinsville, Tennessee's basic financial statements, and have issued my report thereon dated October 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Surgoinsville, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Surgoinsville, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Surgoinsville, Tennessee's internal control.

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that I considered to be a significant deficiency.

Report on Compliance and Other Matters

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

Town of Surgoinsville, Tennessee's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of my 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.



David M. Ellis, CPA
Greeneville, Tennessee
October 2, 2023

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Disposition of Prior Year Findings
Year Ended June 30, 2022

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2021-001	Closing of Official Accounting Records (Original Finding 2019-001)	Repeated 2022-001
2021-002	Budget Control	Corrected

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Findings and Responses
Year Ended June 30, 2022

Financial Statement Findings

2022-001 Closing of Official Accounting Records

Condition: The Town did not comply with the requirement.

Criteria: Tennessee Code Annotated Section 9-2-102 states:

“it is the duty of all local governments that are subject to the audit requirements of the Comptroller of the Treasury and that handle public funds to close their official accounting records and to have those records available for audit no later than two months after the close of the fiscal year.”

Cause: The Town failed to close their official accounting records within two months after the close of the fiscal year. Therefore, their books were not available to audit within a reasonable period of time.

Effect: The Town was not in compliance with TCA Section 9-2-102.

Recommendation: In the future, the Town should comply with this requirement by closing their official accounting records no later than two months after the close of the fiscal year.

Management Response: Management agrees with the finding and will take steps to correct this going forward.

2022-002 Three Day Deposit Rule

Condition: Funds are received and held until a large deposit is accumulated before remitting to the bank.

Criteria: Tennessee Code Annotated Section 6-56-111 states:

“Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality’s official bank account, or bank accounts.”

Cause: Lack of staffing makes frequent trips to the bank impractical.

Effect: Timely deposit of funds received helps safeguard assets and ensures controls are in place.

Recommendations: Management should create procedures to ensure funds are deposited within three days of receipt.

Management Response: Management agrees with the finding and will take steps to correct this going forward.

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Town of Surgoinville

Management's Corrective Action Plan

2022-001 Closing of Official Accounting Records

Person Responsible for Implementation: City Recorder

Planned Corrective Action: Effective immediately, Town of Surgoinville has reviewed *Tennessee Code Annotated Section 9-2-102* and will ensure that our official accounting records are closed within two months after the close of the fiscal year.

Anticipated Completion Date: 09/30/2024 for FY 2024

2022-002 Three Day Deposit Rule

Person Responsible for Implementation: City Recorder

Planned Corrective Action: Effective immediately, Town of Surgoinville has reviewed *Tennessee Code Annotated Section 6-56-111* and will ensure that deposits are made no later than 3 working days after funds received.

Anticipated Completion Date: 10/09/2023

X Megan Gentry
Megan Gentry, City Recorder

10/02/24
Date

X Merrell Graham
Mayor Merrell Graham

10/02/24
Date