CAGLE-FREDONIA UTILITY DISTRICT
OF SEQUATCHIE COUNTY, TENNESSEE

AUDIT REPORT

December 31, 2022

BEAN, RHOTON & KELLEY, PLLC
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INTRODUCTORY SECTION - UNAUDITED

CAGLE-FREDONIA UTILITY DISTRICT
INTRODUCTORY SECTION - UNAUDITED
December 31, 2022

ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS

Phillip Gilmore	Chairman
Barry Layne	Vice-Chairman
Dale Sims	Secretary/Treasurer
Steve Farley	General Manager
LeAnn Seals	Office Manager

BEAN, RHOTON & KELLEY, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Cagle-Fredonia Utility District of Sequatchie County, Tennessee
Dunlap, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Cagle-Fredonia Utility District of Sequatchie County, Tennessee, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cagle-Fredonia Utility District of Sequatchie County, Tennessee, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 Cagle-Fredonia Utility District of Sequatchie County, 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.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cagle-Fredonia Utility District of Sequatchie County, Tennessee's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cagle-Fredonia Utility District of Sequatchie County, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6, the schedule of changes in Cagle-Fredonia Utility District's net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, the schedule of Cagle-Fredonia Utility District's contributions based on participation in the public employee pension plan of TCRS, and the schedule of changes in Cagle-Fredonia Utility District's total OPEB liability and related ratios on pages 25 through 27. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cagle-Fredonia Utility District of Sequatchie County, Tennessee's basic financial statements. The schedules listed in the table of contents as other supplementary information, Schedule of Findings and Responses, Schedule of Prior Year Findings, and Management's Corrective Action Plan are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the table of contents as other supplementary information, Schedule of Findings and Responses, Schedule of Prior Year Findings, and Management Corrective Plan are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

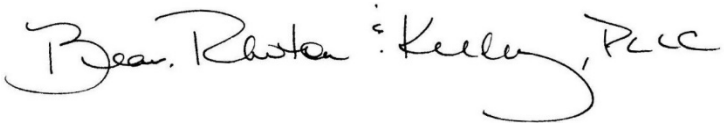
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of the Cagle-Fredonia Utility District of Sequatchie County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 Cagle-Fredonia Utility District of Sequatchie County, Tennessee's internal control over financial reporting and compliance.



Bean, Rhoton & Kelley, PLLC
Winchester, Tennessee
November 15, 2023

Cagle-Fredonia Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cagle-Fredonia Utility District is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal year ending December 31, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the financial performance.

FINANCIAL HIGHLIGHTS

The total assets increased $9,545.75 while total liabilities decreased $46,351.79

The operating expenses in fiscal year 2022 increased $19,557.23.

Operating revenue increased $92,039.63.

Net position increased $83,642.54.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Management's Discussion and Analysis Report, the independent auditor's report, and the basic financial statements of the District. The financial statement also includes notes that explain in more detail some of the information in the financial statement.

REQUIRED FINANCIAL STATEMENTS

The financial statements of Cagle-Fredonia Utility District report information using accounting methods similar to those used by private sector companies. The statements offer short and long-term financial information about its activities. The statement of net position includes all of Cagle-Fredonia Utility District assets and liabilities and provides information about the nature and amounts of investments in resources and the obligations to creditors. It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of Cagle-Fredonia Utility District.

All of the 2020-2021 year's revenue and expenses are accounted for in the statement of Revenue, Expenses, and Change in Net Position. This statement measures the success of Cagle-Fredonia Utility District's operations over the past year and can be used to determine whether Cagle-Fredonia Utility District has successfully recovered all its cost through its fees and other charges, profitability and credit worth.

The final required financial statement is the statement of cash flow. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF CAGLE-FREDONIA UTILITY DISTRICT

The statement of net position and the statement of revenues, expenses and changes in net position report information about Cagle-Fredonia Utility District activities in a way that will help show how it did financially. These two statements report the net position of Cagle-Fredonia Utility District and the changes in them. One way to measure the financial health is the difference between assets and liabilities, net position. Over time, increases and decreases in Cagle-Fredonia Utility District net position are an indicator of whether financial health is improving or deteriorating. However, one will need to consider other non-financial factors as addition of new customers, economic conditions, and new or changed government legislation.

*Parentheses indicate decrease or negative

Table A-1
Condensed Statement of Net Position

	FY 2021	FY 2022	Change	Total Percent Change
Total current and other assets	$1,274,772.84	$1,371,784.65	$ 97,011.81	7.6%
Total noncurrent assets	2,240,224.51	2,152,758.45	(87,466.06)	(3.9%)
Total assets	$3,514,997.35	$3,524,543.10	$ 9,545.75	40.1%
Deferred outflows of resources	$ 19,925.00	$ 16,670.00	$ (3,255.00)	(16.3%)
Total outflows of resources	$ 19,925.00	$ 16,670.00	$ (3,255.00)	(16.3%)
Total current liabilities	$ 79,646.70	$ 72,558.63	$ (7,088.07)	(8.9%)
Total noncurrent liabilities	809,695.13	770,431.41	(39,263.72)	(4.8%)
Total liabilities	$ 889,341.83	$ 842,990.04	$ (46,351.79)	(5.2%)
Deferred inflows of resources	$ 64,980.00	$ 33,979.00	$ (31,001.00)	(47.7%)
Total inflows of resources	$ 64,980.00	$ 33,979.00	$ (31,001.00)	(47.7%)
Net investment in capital assets	$1,025,768.36	$971,133.74	$ (54,634.62)	(5.3%)
Unrestricted	1,164,150.41	1,299,579.07	135,428.66	11.6%
Restricted	403,644.75	393,530.25	(10,114.50)	(2.5%)
Restatement	(12,963.00)		12,963.00	100.0%
Total net position	$2,580,600.52	$2,664,243.06	$ 83,642.54	3.2%

As can be seen in the above table, total assets increased $9,545.75 to $3,524,543.10 in 2022 from $3,514,997.35 in 2021. Also total liabilities decreased $46,351.79 to $842,990.04 in 2022 from $886,341.83 in 2021.

Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2021	2022	Change	Total Percent Change
Operating Revenues	$ 643,354.27	$ 735,393.90	$ 92,039.63	14.3%
Non-Operating Revenues	25,376.89	2,625.73	(22,751.16)	(89.6%)
Total Revenues	$ 668,731.16	$ 738,019.63	$ 69,288.47	10.4%
Depreciation expense	$ 76,989.30	$ 77,352.56	$ 363.26	0.5%
Other operating expense	518,317.05	541,542.47	23,225.42	4.5%
Non-operating expense	39,513.51	35,482.06	(4,031.45)	(10.2%)
Total expense	$ 634,819.86	$ 654,377.09	$ 19,557.23	3.1%
Changes in net position	$ 33,911.30	$ 83,642.54	$ 49,731.24	
Beginning net position	$2,546,689.22	$2,580,600.52	$ 33,911.30	
Ending net position	$2,580,600.52	$2,664,243.06	$ 83,642.54	

While the statement of net position shows the change in financial positions, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

CAPITAL ASSETS

As of December 31, 2022, Cagle-Fredonia Utility District had $971,133.74 invested in capital assets, net.

Table A-3

Capital Assets

	FY 2021	FY2022	Change	Total Percent Change
Equipment	$3,601,483.24	$3,601,435.24	$ 48.00	(0.001%)
Less: Accumulated Depreciation	(1,793,568.48)	(1,870,873.04)	77,304.56	4.3%
Total District assets	$1,807,914.76	$1,730,562.20	$ 77,352.56	(4.3%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Cagle-Fredonia Utility District board of directors considers many factors when setting the fiscal year 2021-2022 budget and charges. One of the factors is making enough money to meet our expenses, and meet all state and federal requirements.

TRAVEL EXPENSES

The total amount of mileage/travel expense paid for the year 2022 is $2,301.70.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and general public with a general overview of the Cagle-Fredonia Utility District finances and to demonstrate their accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Cagle-Fredonia Utility District.

Cagle-Fredonia Utility District
P.O. Box 1191
Dunlap, TN 37327
Phone: 423-949-6660
Fax: 423-949-8576
LeAnn Seals, Office Manager

CAGLE-FREDONIA UTILITY DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

ASSETS		
Cash and cash equivalents	$	1,265,934.42
Receivables, net		88,436.70
Inventory		14,923.57
Prepaid expenses		2,489.96
Restricted cash		207,334.25
Net pension asset		186,196.00
Capital assets:		
Land		28,665.00
Buildings and equipment, net accumulated depreciation		1,730,562.20
Total assets		3,524,542.10
DEFERRED OUTFLOWS OF RESOURCES		
Pension changes in experience		867.00
Pension changes in investments		1,261.00
Pension changes in assumptions		4,891.00
Deferred outflows related to OPEB		9,651.00
Total outflows of resources		16,670.00
LIABILITIES		
Accounts payable and accrued expenses		48,824.58
Long-term liabilities:		
Due within one year		23,734.05
Due in more than one year		764,359.41
Due in more than one year - OPEB liability		6,072.00
Total liabilities		842,990.04
DEFERRED INFLOWS OF RESOURCES		
Pension changes in experience		14,374.00
Deferred inflows related to OPEB		19,605.00
Total inflows of resources		33,979.00
NET POSITION		
Net investment in capital assets		971,133.74
Restricted (Note 12)		393,530.25
Unrestricted		1,299,579.07
Total net position	$	2,664,243.06

The accompanying notes are an integral part of this statement.

CAGLE-FREDONIA UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2022

OPERATING REVENUES		
Water sales		$ 685,871.13
Late fees		25,749.61
Pension income		14,806.00
Miscellaneous		8,967.16
	TOTAL OPERATING REVENUE	735,393.90
OPERATING EXPENSES		
Water purchased		266,003.10
Wages		101,673.04
Payroll taxes		6,996.56
Employee benefits		35,111.80
Water inspections		2,507.60
Mileage reimbursement		2,301.70
Postage and freight		6,100.87
Professional services		6,250.00
Contracted services		19,955.00
Utilities		23,368.49
Telephone		4,304.40
Maintenance & repairs		27,523.99
Insurance and bonds		12,032.90
Dues		8,341.25
Office supplies		2,491.62
Advertising		710.00
Fuel		1,883.12
Miscellaneous		14,016.03
OPEB expense		(29.00)
Depreciation		77,352.56
	TOTAL OPERATING EXPENSES	618,895.03
	OPERATING INCOME	116,498.87
NON-OPERATING REVENUE (EXPENSE)		
Interest income		2,625.73
Interest expense		(35,482.06)
	TOTAL NON-OPERATING REVENUE (EXPENSE)	(32,856.33)
Change in net position		83,642.54
Net position - beginning of year, as previously reported		2,580,600.52
Total net position - ending		$ 2,664,243.06

The accompanying notes are an integral part of this statement.

CAGLE-FREDONIA UTILITY DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 713,498.90
Water purchased	(266,003.10)
Wages / payroll taxes / retirement	(133,113.43)
Contracted services	(29,189.16)
Utilities / telephone	(27,672.89)
Other receipts (payments)	(92,495.65)
NET CASH PROVIDED BY OPERATING ACTIVITIES	165,024.67
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(22,717.94)
Interest paid on long-term debt	(35,482.06)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(58,200.00)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	2,625.73
NET CASH PROVIDED BY INVESTMENT ACTIVITIES	2,625.73
NET INCREASE IN CASH	109,450.40
Balances - beginning of year	
Unrestricted	1,174,796.52
Restricted	189,021.75
Balances - end of year	$ 1,473,268.67
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 116,498.87
Adjustments to reconcile operating income to net cash: provided by operating activities:	
Depreciation expense	77,352.56
Changes in assets and liabilities:	
Receivables, net	(7,089.00)
Inventories	1,215.09
Net pension asset	28,427.00
Deferred outflows	3,255.00
Deferred inflows	(46,517.00)
Accounts payable and accrued liabilities	(8,117.85)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 165,024.67

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Cagle-Fredonia Utility District of Sequatchie County, Tennessee was incorporated as a public corporation pursuant to an Order of the County Executive of Sequatchie County, Tennessee, dated October 20, 1987, all pursuant to provisions of the District Act, which provides that such an incorporated public corporation shall exist in perpetuity and possess the powers set forth in the District Act. All corporate powers of the District are vested in and exercised by the Board of Commissioners. The District Act provides that the District is empowered, among other things, to conduct, operate and maintain a system for the furnishing of water and water storage and related facilities. The District has no power to levy or collect taxes.

The District's financial statements include all funds over which the Board of Commissioners exercises oversight responsibility. Oversight responsibility includes such aspects as designation of management and the ability to significantly influence operations.

Cagle-Fredonia Utility District provides water services to the local market. Water services are the major source of income for the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Accounting

The District's reports are on an accrual method of accounting. Under the accrual method of accounting, revenues are recorded as such when earned, and expenses are reported when incurred.

Operating income includes revenues and expenses related to the primary continuing operations of the District. Principal operating revenues of the District are charges to customers for sales and services. Principal operating expenses are the costs of providing water and include administrative expenses and depreciation of capital assets. Other revenues and expense are classified as non-operating on the financial statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first.

C. Cash Flows

For purposes of the statement of cash flows, the District considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest expense as of December 31, 2022, was $35,482.06.

Amounts specified as restricted cash on the balance sheet consist of investments in interest bearing accounts with an original maturity date of greater than ninety (90) days and bond reserves.

D. Utility Plant and Depreciation

Water system and property additions are recorded at cost. The District does not have a policy regarding capitalization thresholds. Expenses for additions, improvements, replacements, and major renewals are added to the water system and property accounts while expenses for maintenance, repairs, and minor renewals are expensed currently. Depreciation is calculated using the straight-line method over the estimated useful life.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Utility Plant and Depreciation (continued)

Depreciation of all exhaustible utility plant in service is charged as an expense. Accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water distribution system	50 years
Equipment	7 years
Vehicles	5 years
Office Equipment	10 years

Interest is capitalized in connection with the construction of major facilities. The construction period interest is recorded as part of the asset to which it related and is amortized over the asset's estimated useful life. Interest that was capitalized for the year ended December 31, 2022, was $0.00.

E. Pensions

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

F. Income Taxes

The District is a public utility and is exempt from federal and state income taxes.

G. Budgets and Budgetary Accounting

A budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the Utility District and all annual appropriations lapse at fiscal year-end. The District adopted their annual budget November 22, 2021 and adopted a revised budget on December 26, 2022.

NOTE 2 – NON-CURRENT ASSETS

The Waterworks Revenue Bond requires certain funds to be created. These funds are described below, and require the District to restrict the use of cash to meet the Bond's requirements.

(1) Bond interest sinking funds – The district is making monthly payments on the bond; therefore, this fund is not required.

(2) Debt service reserve fund – an amount equal to the maximum annual debt service on the bonds ($29,028.00). This amount has been invested in a twelve-month certificate of deposit.

NOTE 2 – NON-CURRENT ASSETS (continued)

(3) Repair and extension fund – an amount set by the District to cover extraordinary repairs and future expansion for the District. The District has set aside $178,306.25 for this fund in a twelve-month certificate of deposit.

(4) Bond redemption – any excess of the available cash over the above-mentioned funds and after any subordinate debt service has been paid.

Restricted cash:

Repair and extension fund	$ 178,306.25
Debt service fund	29,028.00
	$ 207,334.25

NOTE 3 – CASH AND DEPOSITS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. A summary of cash balances is as follows:

Unrestricted	$ 1,265,934.42
Restricted	207,334.25
	$ 1,473,268.67

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

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require and the District's policy is that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

At December 31, 2022, the carrying amount of the District's deposits including petty cash was $1,474,016.23, which consists of $922,854.22 in certificates of deposit and $551,162.01 in other cash deposits. With the exception of petty cash in the amount of $200.00, all cash deposits were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name.

NOTE 4 – ACCOUNTS RECEIVABLE

The accounts receivable are concentrated in customers in Sequatchie County, Tennessee. The District has set aside $39,568.00 for an allowance of bad debt.

NOTE 5 – CHANGES IN LONG-TERM DEBT

	Balance January 1, 2022	Additions	(Retirements)	Balance December 31, 2022
Rural Development Bond: Issued April 10, 2003 Interest rate: 4.5%	$ 372,125.97	$ 0.00	$ (12,541.23)	$ 359,584.74
Rural Development Loan: Issued September 18, 2008 Interest rate: 4.375%	438,685.43	0.00	(10,176.71)	428,508.72
Total	$ 810,811.40	$ 0.00	$ (22,717.94)	$ 788,093.46

The annual requirements to amortize loan debt as of December 31, 2022, are as follows:

2003 Rural Development Bond

Year ending December 31	Principal	Interest	Total
2023	$ 13,105.84	$ 15,922.16	$ 29,028.00
2024	13,707.92	15,320.08	29,028.00
2025	14,337.67	14,690.33	29,028.00
2026	14,996.34	14,031.66	29,028.00
2027	15,685.28	13,342.72	29,028.00
2028-2032	89,920.33	55,219.67	145,140.00
2033-2037	112,561.90	32,578.10	145,140.00
2038-2042	85,269.46	6,389.99	91,659.45
Total	$ 359,584.74	$ 167,494.71	$ 527,079.45

2008 Rural Development Loan

Year ending December 31	Principal	Interest	Total
2023	$ 10,628.21	$ 18,543.79	$ 29,172.00
2024	11,102.63	18,069.37	29,172.00
2025	11,598.23	17,573.77	29,172.00
2026	12,115.95	17,056.05	29,172.00
2027	12,656.79	16,515.21	29,172.00
2028-2032	72,280.10	73,579.90	145,860.00
2033-2037	89,918.29	55,941.71	145,860.00
2038-2042	111,860.60	33,999.40	145,860.00
2043-2046	96,347.92	9,973.83	106,321.75
Total	$ 428,508.72	$ 261,253.03	$ 689,761.75

NOTE 6 – WATER PURCHASE CONTRACT

On September 25, 2008, Cagle-Fredonia Utility District entered into a forty-year contract to purchase water from Big Creek Utility District. Cagle-Fredonia shall pay Big Creek $4.25 per 1,000 gallons with $4.25 being the minimum rate per month and 5,000,000 gallons being the maximum amount of water to be purchased per month at that rate. Amounts in excess of 5,000,000 gallons are purchased at the rate of $3.90 per 1,000 gallons. The contract is updated and renewed only if the rate changes, which Big Creek may change at the end of each year if so desired.

NOTE 7 – UTILITY PLANT IN SERVICE

A summary of changes in the utility plant in service is as follows:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
Capital assets not depreciated:				
Land	$ 28,665.00	$ 0.00	$ 0.00	$ 28,665.00
Other capital assets:				
Water distribution system	3,246,620.67	0.00	0.00	3,246,620.67
Building	51,259.15	0.00	0.00	51,259.15
Equipment	300,636.75	0.00	0.00	300,636.75
Furniture and fixtures	2,966.67	0.00	(48.00)	2,918.67
Total	3,601,483.24	0.00	(48.00)	3,601,435.24
Less: accumulated depreciation	(1,793,568.48)	(77,352.56)	48.00	(1,870,873.04)
Other capital assets, net	1,807,914.76	(77,352.56)	0.00	1,730,562.20
Total capital assets	$ 1,836,579.76	$ (77,352.56)	$ 0.00	$ 1,759,227.20

NOTE 8 – RISK MANAGEMENT

The District manages risk through the purchase of commercial insurance. Cagle-Fredonia has insurance coverage to reduce their risk of loss. Cagle-Fredonia has insurance on the following: building, pump station, water tank, general liability, hired non-owned automobiles, and employee fidelity bond. Settlement claims have not exceeded insurance coverage for the past four years.

NOTE 9 – INVENTORY

Inventory is stated at actual cost and consists of maintenance supplies.

NOTE 10 – PENSION PLAN

Plan Description

Employees of Cagle-Fredonia Utility District 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-Investments-Polices.

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2
Total employees	2

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. Cagle-Fredonia Utility District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2022, the employer contributions for Cagle-Fredonia Utility District were $0.00 based on a rate of 0.00% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cagle-Fredonia Utility District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTE 10 – PENSION PLAN (continued)

Net Pension Liability (Asset)

Cagle-Fredonia Utility District's net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2022 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.

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. The 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:

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

NOTE 10 – PENSION PLAN (continued)

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

Discount Rate

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/21	$ 132,965	$ 347,588	$(214,623)
Changes for the year:			
Service cost	8,715		8,715
Interest	9,563		9,563
Differences between expected and actual experience	676		676
Changes in assumptions			
Contributions-employer			
Contributions-employees		4,097	(4,097)
Net investment income		(13,373)	13,373
Benefit payments, including refunds of employee contributions			
Administrative expense		(197)	197
Other changes			
Net changes	18,954	(9473)	28,427
Balance at 6/30/22	$ 151,919	$ 338,115	$(186,196)

NOTE 10 – PENSION PLAN (continued)

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

The following presents the net pension liability (asset) of Cagle-Fredonia Utility District 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%)
Cagle-Fredonia Utility District's net pension liability (asset)	$ (168,697)	$ (186,196)	$ (201,123)

Negative Pension Expense

For the year ended December 31, 2022, Cagle-Fredonia Utility District recognized negative pension expense of $14,806.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2022, Cagle-Fredonia Utility District 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	$ 867	$ 14,374
Net difference between projected and actual earnings on pension plan investments	1,261	0
Changes in assumptions	4,891	0
Contributions subsequent to the measurement date of June 30, 2022	0	(not applicable)
Total	$ 7,019	$ 14,374

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

NOTE 10 – PENSION PLAN (continued)

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

Year Ended June 30:	
2024	$ (3,918.00)
2025	(4,092.00)
2026	(5,276.00)
2027	(6,818.00)
2028	(575.00)
Thereafter	(312.00)

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

Payable to the Pension Plan

At December 31, 2022, Cagle-Fredonia Utility District reported a payable of $0.00 for the outstanding amount of contributions to the pension plan required at the year ended December 31, 2022.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

Employees of Cagle-Fredonia Utility District are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits Provided

The Cagle-Fredonia Utility District offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2022, the following employees of Cagle-Fredonia Utility District were covered by the benefit terms of the LGOP:

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	1
Total employees	2

As insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended December 31, 2022, the Cagle-Fredonia Water Utility District paid $107 to the LGOP for OPEB benefits as they came due.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	8.37 percent for pre-65 in 2022, decreasing annually over a 7 year period to an ultimate rate of 4.5 percent. 8.99 percent for post-65 in 2022, decreasing annually over an 8 year period to an ultimate rate of 4.5 percent.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability – beginning balance	$ 21,588
Changes for the year:	
Service cost	303
Interest	471
Changes of benefit terms	0
Differences between expected and actual experience	716
Change in assumptions	(16,809)
Benefit payments	(197)
Net changes	(15,516)
Total OPEB liability – ending balance	$ 6,072

Changes in assumptions

The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$ 6,889	$ 6,072	$ 5,365

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (7.37%/7.99% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.37%/8.99% decreasing to 4.50%)	1% Increase (9.37%/9.99% decreasing to 5.50%)
Total OPEB liability	$ 5,276	$ 6,072	$ 6,997

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense

For the fiscal year ended December 31, 2022, Cagle-Fredonia Utility District recognized OPEB expense of ($29).

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2022, Cagle-Fredonia Utility District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

LGOP-

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,073	$ 0
Changes in assumptions	3,471	19,605
Employer payments subsequent to the measurement date	107	0
Total	$ 9,651	$ 19,605

The amounts shown above for "Employer payments subsequent to the measurement date," will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

LGOP-

Year Ended June 30:	
2024	$ (697)
2025	(972)
2026	(4,055)
2027	(3,484)
2028	(853)
Thereafter	0

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

NOTE 12 – NET POSITION

Net position for certain items has been restricted as they are only available for use for the following:

Repairs and extensions	$ 178,306.25
Debt service	29,028.00
Net pension asset	186,196.00
Restricted net position	$ 393,530.25

NOTE 13 – RELATED PARTIES

Employees of the District and independent contractors hired by the District contain related parties. In the ordinary course of business, the District has and expects to continue to have transactions with its employees. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

CAGLE-FREDONIA UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
December 31, 2022

SCHEDULE OF CHANGES IN CAGLE-FREDONIA UTILITY DISTRICT'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability (asset)									
Service cost	$ 5,260.00	$ 5,335.00	$ 5,092.00	$ 5,379.00	$ 7,665.00	$ 5,966.00	$ 6,285.00	$ 6,522.00	$ 8,715.00
Interest	5,543.00	6,168.00	6,285.00	7,320.00	7,324.00	7,351.00	8,228.00	9,028.00	9,563.00
Changes in benefit terms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Differences between actual & expected experience	(2,531.00)	(9,700.00)	2,135.00	(15,359.00)	(8,667.00)	(1,550.00)	(3,705.00)	(3,438.00)	676.00
Change of assumptions	0.00	0.00	0.00	8,029.00	0.00	0.00	0.00	2,846.00	0.00
Benefit payments, including refund of employee contributions	0.00	0.00	0.00	0.00	(8,483.00)	0.00	0.00	0.00	0.00
Net change in total pension liability (asset)	8,272.00	1,803.00	13,512.00	5,369.00	(2,161.00)	11,767.00	10,808.00	14,958.00	18,954.00
Total pension liability (asset)-beginning	68,637.00	76,909.00	78,712.00	92,224.00	97,593.00	95,432.00	107,199.00	118,007.00	132,965.00
Total pension liability (asset)-ending (a)	$ 76,909.00	$ 78,712.00	$ 92,224.00	$ 97,593.00	$ 95,432.00	$ 107,199.00	$ 118,007.00	$ 132,965.00	$ 151,919.00
Plan fiduciary net position									
Contributions-employer	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Contributions-employee	2,872.00	2,817.00	3,055.00	2,911.00	3,149.00	3,381.00	3,583.00	3,795.00	4,097.00
Net investment income	25,613.00	5,633.00	5,075.00	22,575.00	18,295.00	17,687.00	12,824.00	70,908.00	(13,373.00)
Benefit payments, including refunds of employee contributions		0.00	0.00	0.00	(8,483.00)	0.00	0.00	0.00	0.00
Administrative expense	(77.00)	(102.00)	(151.00)	(152.00)	(190.00)	(178.00)	(177.00)	(179.00)	(197.00)
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net change in plan fiduciary net position	28,408.00	8,348.00	7,979.00	25,334.00	12,771.00	20,890.00	16,230.00	74,524.00	(9,473.00)
Plan fiduciary net position-beginning	153,104.00	181,512.00	189,860.00	197,839.00	223,173.00	235,944.00	256,834.00	273,064.00	347,588.00
Plan fiduciary net position-ending (b)	$ 181,512.00	$ 189,860.00	$ 197,839.00	$ 223,173.00	$ 235,944.00	$ 256,834.00	$ 273,064.00	$ 347,588.00	$ 338,115.00
Net Pension Liability (asset)-ending (a) - (b)	$ (104,603.00)	$ (111,148.00)	$ (105,615.00)	$ (125,580.00)	$ (140,512.00)	$ (149,635.00)	$ (155,057.00)	$ (214,623.00)	$ (186,196.00)
Plan fiduciary net position as a percentage of total pension liability	236.01%	241.21%	214.52%	228.68%	247.24%	239.59%	231.40%	261.41%	222.56%
Covered payroll	$ 57,441.00	$ 56,346.00	$ 61,107.00	$ 58,213.00	$ 62,974.00	$ 67,618.00	$ 71,661.00	$ 75,900.00	$ 81,930.00
Net pension liability (asset) as a percentage of covered-employee payroll	(182.11)%	(197.26)%	(172.84)%	(215.73)%	(223.13)%	(221.29)%	(216.38)%	(282.77)%	(227.26)%

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

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

CAGLE-FREDONIA UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
December 31, 2022

SCHEDULE OF CAGLE-FREDONIA UTILITY DISTRICT'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Contributions in relation to the actuarially determined contribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contribution deficiency (excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-employee payroll	$ 57,441.00	$ 56,346.00	$ 61,107.00	$ 58,213.00	$ 62,974.00	$ 67,618.00	$ 71,661.00	$ 75,900.00	$ 81,930.00
Contributions as a percentage covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Valuation Date

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of 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	2.125 percent

Changes in 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. 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 overage of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CAGLE-FREDONIA UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
December 31, 2022

SCHEDULE OF CHANGES IN CAGLE-FREDONIA UTILITY DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LGOP	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
Service cost	$ 0.00	$ 171.00	$ 176.00	$ 258.00	$ 325.00	$ 303.00
Interest	0.00	74.00	797.00	853.00	612.00	471.00
Changes of benefit terms	0.00	0.00	0.00	0.00	0.00	0.00
Differences between expected and actual experience	0.00	9,240.00	969.00	1,700.00	3,014.00	716.00
Changes of assumptions	0.00	10,754.00	416.00	694.00	(9,540.00)	(16,809.00)
Benefit payments	0.00	(337.00)	(305.00)	(9.00)	(364.00)	(197.00)
Net change in total OPEB liability	$ 0.00	19,902.00	2,053.00	3,496.00	(5,953.00)	(15,516.00)
Total OPEB liability - beginning	2.00	2,090.00	21,992.00	24,045.00	27,541.00	21,588.00
Total OPEB liability - ending	$ 2.00	21,992.00	24,045.00	27,541.00	21,588.00	6,072.00
Covered-employee payroll	$ 39,265.67	$ 41,732.42	$ 43,639.04	$ 45,641.06	$ 47,743.02	$ 55,965.88
Total OPEB liability as a percentage of covered-employee payroll	0.01%	52.70%	55.10%	60.34%	45.22%	10.85%

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

CAGLE-FREDONIA UTILITY DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2022

INFORMATION REQUIRED BY BOND RESOLUTION

Cagle-Fredonia Utility District of Sequatchie County, Tennessee, is exempt from federal income tax on its profits.

Members of the Board of Commissioners are:

Phillip Gilmore	Chairman
Barry Layne	Vice-Chairman
Dale Sims	Secretary/Treasurer

Each board member was paid $300.00 per meeting.

Total compensation for each board member is as follows:

Phillip Gilmore	$ 3,600.00
Wayne Cox	1,500.00
Barry Layne	1,800.00
Dale Sims	3,600.00
Total	$ 10,500.00

SCHEDULE OF CURRENT UTILITY RATES

The water rates from January to December 2022 are:

0 to 1,000 gallons of water	$25.98 residential & $32.98 commercial minimum bill
Over 1,000 gallons of water to 10,000	$10.34 per 1,000 gallons
Over 10,000 gallons of water	$10.84 per 1,000 gallons

The District had 1,094 metered water customers at December 31, 2022.

SCHEDULE OF INSURANCE IN FORCE

A description of the District's insurance coverage at December 31, 2022, follows:

Type of Coverage	Amount		Policy Expiration Date
Automobile			
Combined Liability	$ 500,000	(each occurrence)	February 26, 2023
Uninsured Motorist Bodily Injury	$ 500,000	(each person/each occurrence)	February 26, 2023
Uninsured Motorist Property Damage	$ 500,000	(each occurrence/$200 deductible)	February 26, 2023
Medical Payments	$ 5,000	(each person)	February 26, 2023
Comprehensive	A.C.V	($500 deductible)	February 26, 2023
Collision	A.C.V	($500 deductible)	February 26, 2023
Road Trouble Service	$ 100	(each occurrence)	February 26, 2023
Terrorism Coverage	$ 500,000	(each occurrence)	February 26, 2023
Building	$ 1,211,900		February 16, 2023
Position Schedule Bond			
Chairman	$ 35,000		January 26, 2023
Vice Chairman	$ 35,000		January 26, 2023
Secretary/Treasurer	$ 35,000		January 26, 2023
Office Manager	$ 35,000		January 26, 2023
Utility Manager	$ 35,000		January 26, 2023
Maintenance Supervisor	$ 35,000		January 26, 2023
Workers' Compensation			
Bodily Injury by Accident	$ 100,000	(each accident)	July 1, 2023
Bodily Injury by Disease	$ 500,000	(policy limit)	July 1, 2023
Bodily Injury by Disease	$ 100,000	(each employee)	July 1, 2023

CAGLE-FREDONIA UTILITY DISTRICT
OTHER SUPPLEMENTARY INFORMATION
Year Ended December 31, 2022

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

	Budgetary Amounts		Actual	Variance with Final Budget Positive
OPERATING REVENUE	Original	Final	Amounts	(Negative)
Water sales	$ 625,000.00	$ 650,000.00	$ 685,871.13	$ 35,871.13
Late charges	23,500.00	27,000.00	25,749.61	(1,250.39)
Pension income	0.00	0.00	14,806.00	14,806.00
Miscellaneous fees	38,000.00	50,000.00	8,967.16	(41,032.84)
TOTAL OPERATING REVENUE	686,500.00	727,000.00	735,393.90	8,393.90
EXPENSES				
Water purchased	230,000.00	275,000.00	266,003.10	8,996.90
Wages	83,000.00	95,000.00	91,173.04	3,826.96
Wages: board members	10,800.00	10,800.00	10,500.00	300.00
Payroll taxes	19,000.00	23,000.00	6,996.56	16,003.44
Employee benefits	0.00	0.00	35,111.80	(35,111.80)
Water inspections	2,200.00	2,500.00	2,507.60	(7.60)
Postage and freight	4,400.00	6,200.00	6,100.87	99.13
Utilities	18,500.00	25,000.00	23,368.49	1,631.51
Telephone	5,000.00	4,400.00	4,304.40	95.60
Repairs	2,000.00	0.00	2,000.00	(2,000.00)
Insurance and bonds	56,575.00	50,975.00	12,032.90	38,942.10
Dues	5,100.00	7,000.00	8,341.25	(1,341.25)
Contracted services	20,000.00	21,000.00	19,955.00	1,045.00
Professional services	6,250.00	6,250.00	6,250.00	0.00
Office expense	2,600.00	1,000.00	0.00	1,000.00
Office supplies	2,700.00	1,000.00	2,491.62	(1,491.62)
Advertising	1,800.00	1,200.00	710.00	490.00
Mileage reimbursement	3,600.00	2,200.00	2,301.70	(101.70)
Maintenance supplies	19,000.00	35,000.00	25,523.99	9,476.01
Fuel	1,650.00	2,000.00	2,867.28	(867.28)
Licenses and permits	50.00	50.00	0.00	50.00
Miscellaneous	200.00	0.00	(141.82)	141.82
OPEB Expense	0.00	0.00	(29.00)	29.00
Depreciation	89,500.00	89,500.00	77,352.56	12,147.44
Returned checks	2,500.00	1,000.00	805.60	194.40
Leak adjustment	4,400.00	4,000.00	0.00	4,000.00
Reimbursements	0.00	0.00	7,710.00	(7,710.00)
Credit card processing fees	0.00	0.00	4,658.09	(4,658.09)
Tank and pump monitoring	1,150.00	1,150.00	0.00	1,150.00
TOTAL EXPENSE	591,975.00	665,225.00	618,895.03	46,329.97
OPERATING INCOME	94,525.00	61,775.00	116,498.87	54,723.87
NON-OPERATING REVENUES (EXPENSES)				
Interest income	0.00	0.00	2,625.73	2,625.73
Interest expense	(48,000.00)	(48,000.00)	(35,482.06)	12,517.94
TOTAL NON-OPERATING REVENUES (EXPENSE)	(48,000.00)	(48,000.00)	(32,856.33)	15,143.67
Change in net position	46,525.00	13,775.00	83,642.54	69,867.54
Total net position - beginning	2,580,600.52	2,580,600.52	2,580,600.52	0.00
Total net position - ending	$ 2,627,125.52	$ 2,594,375.52	$ 2,664,243.06	$ 69,867.54

See Accompanying Independent Auditor's Report.

CAGLE-FREDONIA UTILITY DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2022

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 1/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 12/31/2022
Business-Type Activities									
NOTES PAYABLE									
United States Department of Agriculture	527,000.00	4.500%	4/10/2003	2/12/2041	$ 372,125.97	$ 0.00	$ 12,541.23	$ 0.00	$ 359,584.74
United States Department of Agriculture	539,000.00	4.375%	9/18/2008	7/18/2046	438,685.43	0.00	10,176.71	0.00	428,508.72
Total Notes Payable					$ 810,811.40	$ 0.00	$ 22,717.94	$ 0.00	$ 788,093.46

CAGLE-FREDONIA UTILITY DISTRICT
OTHER SUPPLEMENTARY INFORMATION
December 31, 2022

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS TO MATURITY

Fiscal Year	Rural Development Bonds, Series 2003		Rural Development Bonds, Series 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	13,105.84	15,922.16	10,628.21	18,543.79	23,734.05	34,465.95
2024	13,707.92	15,320.08	11,102.63	18,069.37	24,810.55	33,389.45
2025	14,337.67	14,690.33	11,598.23	17,573.77	25,935.90	32,264.10
2026	14,996.34	14,031.66	12,115.95	17,056.05	27,112.29	31,087.71
2027	15,685.28	13,342.72	12,656.79	16,515.21	28,342.07	29,857.93
2028	16,405.86	12,622.14	13,221.76	15,950.24	29,627.62	28,572.38
2029	17,159.53	11,868.47	13,811.95	15,360.05	30,971.48	27,228.52
2030	17,947.85	11,080.15	14,428.48	14,743.52	32,376.33	25,823.67
2031	18,772.35	10,255.65	15,072.55	14,099.45	33,844.90	24,355.10
2032	19,634.74	9,393.26	15,745.36	13,426.64	35,380.10	22,819.90
2033	20,536.77	8,491.23	16,448.19	12,723.81	36,984.96	21,215.04
2034	21,480.22	7,547.78	17,182.41	11,989.59	38,662.63	19,537.37
2035	22,467.04	6,560.96	17,949.41	11,222.59	40,416.45	17,783.55
2036	23,499.16	5,528.84	18,750.64	10,421.36	42,249.80	15,950.20
2037	24,578.71	4,449.29	19,587.64	9,584.36	44,166.35	14,033.65
2038	25,707.84	3,320.16	20,461.98	8,710.02	46,169.82	12,030.18
2039	26,888.87	2,139.13	21,375.36	7,796.64	48,264.23	9,935.77
2040	28,124.13	903.87	22,329.50	6,842.50	50,453.63	7,746.37
2041	4,548.62	26.83	23,326.26	5,845.74	27,874.88	5,872.57
2042	0.00	0.00	24,367.50	4,804.50	24,367.50	4,804.50
2043	0.00	0.00	25,455.20	3,716.80	25,455.20	3,716.80
2044	0.00	0.00	26,591.48	2,580.52	26,591.48	2,580.52
2045	0.00	0.00	27,778.48	2,393.52	27,778.48	2,393.52
2046	0.00	0.00	16,522.76	1,282.99	16,522.76	1,282.99
	$ 359,584.74	$ 167,494.71	$ 428,508.72	$ 261,253.03	$ 788,093.46	$ 428,747.74

See Accompanying Independent Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BEAN, RHOTON & KELLEY, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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 Commissioners
Cagle-Fredonia Utility District of Sequatchie County, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cagle-Fredonia Utility District of Sequatchie County, Tennessee, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Cagle-Fredonia Utility District of Sequatchie County, Tennessee's basic financial statements and have issued our report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items [2022-001, 2022-002, 2022-004, and 2022-005] that we consider to be significant deficiencies.

Report on Compliance and Other Matters

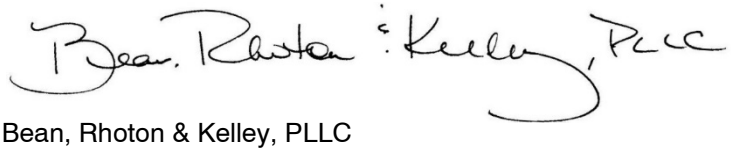
As part of obtaining reasonable assurance about whether Cagle-Fredonia Utility District of Sequatchie County, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance, with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 [2022-003].

Cagle-Fredonia Utility District of Sequatchie County, Tennessee's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Cagle-Fredonia Utility District of Sequatchie County, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Cagle-Fredonia Utility District of Sequatchie County, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Bean, Rhoton & Kelley, PLLC
Winchester, Tennessee
November 15, 2023

CAGLE-FREDONIA UTILITY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2022

I. Summary of Auditors' Results

A. The December 31, 2022 auditors' report expresses an unmodified opinion on whether the financial statements of Cagle-Fredonia Utility District were prepared in accordance with GAAP.

B. Significant deficiencies in internal control relating to the audit of the financial statements are reported in the *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* in findings 2022-001, 2022-002, 2022-004, and 2022-005.

C. No material weaknesses relating to the audit of the financial statements are reported in the *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*.

D. Instances of noncompliance, which are required to be reported in accordance with Government Auditing Standards, were disclosed in the *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* in finding 2022-003.

II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(2022-001) Segregation of Duties

Condition, Criteria, Cause and Effect:
In our review of the overall accounting controls of Cagle-Fredonia Utility District's accounting system, we found several areas where proper segregation of duties might be obtained. Adequate segregation of duties is important to facilitate controls and maintain adequate safeguards over the District's assets. Without the proper segregation and accountability, the District could incur losses with respect to the misuse of District assets.

Recommendation:
A thorough study of the internal control aspect of the accounting system should be considered by Cagle-Fredonia Utility District.

District's Comment:
The Board does not currently feel that a complete segregation of duties is attainable as a result of the time requirements necessary for the board members and lack of funding available for additional staff.

(2022-002) Posting to Accounting Software

Condition, Criteria, Cause and Effect:
Testing revealed a lack of controls in the posting process of the accounting software, including receipts and disbursements posted inaccurately and assigned to incorrect accounts. To ensure accurate reporting and cut off, activity should be posted in the accounting software on the date incurred. Additional review of the general ledger and reconciliation of trial balance accounts should be considered to ensure accuracy of activity and balances reported. These practices increase the risk that activity will not be properly recorded in compliance with generally accepted accounting principles and may not be posted in accordance with laws, regulations, and contractual requirements.

Recommendation:
The District should ensure that all activity is completely and accurately posted to the accounting records.

(2022-002) Posting to Accounting Software (continued)

District's Comment:
The Office Manager will ensure that each date posted to the accounting software matches the information provided on the applicable supporting documentation.

(2022-003) Violation of the Three-Day Bank Deposit Law

Condition, Criteria, Cause and Effect:
Testing revealed instances of deposits not being made within three day of receipt. All collections of cash must be deposited to an official bank within three days of collection. This law is in place to minimize losses from theft resulting from break-ins or misplaced cash.

Recommendation:
Controls should be implemented to ensure that deposits are made to an official bank within three days of collection.

District's Comment:
The Office Manager will ensure that deposits are made within the three day collection period and will pay close attention to holidays that may affect this problem.

(2022-004) Accounts Receivable & Allowance for Uncollectible Accounts

Condition, Criteria, Cause and Effect:
Testing revealed that the balance in accounts receivable continues to increase and is becoming more significant despite District approved a formal cut-off policy during the audit period.

Recommendation:
While a cut-off policy was passed October 25, 2021, the District should consider a consistent plan, such as hiring a collections agency, due to the fact that accounts receivable continues to increase. Current collection efforts do not appear to be sufficient.

District's Comment:
The Utility's Board Members will discuss a collection process for unpaid balances and when to write off bad debt.

(2022-005) Significant Adjustments to the Year-End Trial Balance

Condition, Criteria, Cause and Effect:
Audit procedures revealed that it was necessary to propose journal entries to more accurately reflect the Authority's transactions. While we feel that the District has an individual who possesses suitable skill, knowledge, and experience, the proper internal controls currently in place to ensure that auditors are provided with a substantially complete trial balance need to be reviewed and strengthened. Current standards relating to the internal control structure require an entity to make all material adjustments to their trial balance before providing it to the auditors, or to provide the auditors with any material adjustments that need to be made to the trial balance. Because of this, management may lack the controls necessary to present financial statements and footnotes in accordance with generally accepted accounting principles.

Recommendation:
Management should consider making all material adjustments to their trial balance in accordance with generally accepted accounting principles.

District's Comment:
Efforts will be made to adjust accounts by year end.

CAGLE-FREDONIA UTILITY DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
December 31, 2022

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2021-001	Segregation of Duties (original finding #2008-001)	Repeated/ 2022-001
2021-002	Posting to Accounting Software (original finding #2011-001)	Repeated/ 2022-002
2021-003	Expenditures Exceed Budget (original finding #2012-001)	Corrected
2021-004	Violation of Three-Day Bank Deposit Law (original finding #2019-004)	Repeated/ 2022-003
2021-005	Accounts Receivable & Allowance for Uncollectible Accounts (original finding #2020-005)	Repeated/ 2022-004
2021-006	Significant Adjustments to the Year-End Trial Balance (original finding #2021-006)	Repeated/ 2022-005

Cagle-Fredonia Utility District
7449 SR 399
PO Box 1191
Dunlap, TN 37327

Management's Corrective Action Plan

(2022-001) Segregation of Duties

Recommendation:
A thorough study of the internal control aspect of the accounting system should be considered by Cagle-Fredonia Utility District.

Action Taken: The Board does not currently feel that a complete segregation of duties is attainable as a result of the time requirements necessary for the board members and lack of funding available for additional staff.

Person responsible: Phillip Gilmore, Chairman

Anticipated completion date for the corrective action plan: To be reviewed on an annual basis.

(2022-002) Posting to Accounting Software

Recommendation:
The District should ensure that all activity is completely and accurately posted to the accounting records.

Action Taken: The Office Manager will ensure that each date posted to the accounting software matches the information provided on the applicable supporting documentation.

Person responsible: Leann Seals, Office Manager

Anticipated completion date for the corrective action plan: December 31, 2023.

(2022-003) Violation of the Three-Day Bank Deposit Law

Recommendation:
Controls should be implemented to ensure that deposits are made to an official bank within three days of collection.

Action Taken: The Office Manager will ensure that deposits are made within the three-day collection period and will pay close attention to holidays that may affect this problem.

Person responsible: LeAnn Seals, Office Manager

Anticipated completion date for the corrective action plan: December 31, 2023.

(2022-004) Accounts Receivable & Allowance for Uncollectible Accounts

Recommendation: While a cut-off policy was passed October 25, 2021, the District should consider a consistent plan, such as hiring a collections agency, due to the fact that accounts receivable continues to increase. Current collection efforts do not appear to be sufficient.

Action Taken: The Utility's Board Members will discuss a collection process for unpaid balances and when to write off bad debt.

Person responsible: The Board Members

Anticipated completion date for the corrective action plan: December 31, 2023.

(2022-005) Significant Adjustments to the Year-End Trial Balance

Recommendation: Management should consider making all material adjustments to their trial balance in accordance with generally accepted accounting principles.

Action Taken: Efforts will be made to adjust accounts by year end.

Person responsible: LeAnn Seals, Office Manager

Anticipated completion date for the corrective action plan: December 31, 2023.

Respectively submitted,

LeAnn Seals

LeAnn Seals, Office Manager
Cagle-Fredonia Utility District