

TOWN OF KINGSTON SPRINGS, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2023

TOWN OF KINGSTON SPRINGS, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF KINGSTON SPRINGS, TENNESSEE

Officials of the Town of Kingston Springs, Tennessee

June 30, 2023

Name

Title

Elected Officials:

Tony Gross

Mayor

Glenn Remick

Vice-Mayor

Mike Hargis

Commissioner

Carolyn Clark

Commissioner

Todd Verhoven

Commissioner

Management:

Kellie Reed

Finance Director and CMFO

Jamie Dupre'

Town Recorder

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Commissioners of the
Town of Kingston Springs, Tennessee
Kingston Springs, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kingston Springs, Tennessee (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, Adequate Facilities Fund and the Drug Fund for the year then ended and, 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

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 the 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 the Town 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'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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, 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 the Town'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 the Town'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 Required Supplementary Information, which includes the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability (Asset), the Schedule of Contributions to the Employee Pension Plan, and the Schedule of Changes in Total Liability and Related Ratios – LGOP, 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 us 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 the Town's basic financial statements. The supplementary information section, as listed in the table of contents, is 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 – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the Introductory Section and consider whether a material inconsistency exists between the Introductory Section and basic financial statements, or the Introductory Section otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the Introductory Section 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 September 30, 2023, on my consideration of the Town'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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

John R Poole, CPA

September 30, 2023

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Kingston Springs, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Kingston Springs exceeded its liabilities at the close of the most recent fiscal year by \$15,365,048. Of this amount, \$4,959,072 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$1,121,646, as revenues were higher due to increased grant revenues in the governmental funds in the current year. Expenses were higher in the current year. The Governmental funds' performance was better than expected from a growing local economy producing increased sales tax revenues. A comparison of the previous year's revenues by source and expenditures by function are included in this Management's Discussion and Analysis.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,027,260, a decrease of \$934,180 in comparison to the prior year due to increased debt service payments. The Town saw an increase in the governmental fund general revenues compared to the prior year. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,723,020 or 80% of the total general fund expenditures. The Town's business-like activities total net position increased by \$1,734, as the Town's sewer system operated as planned.

Capital assets of \$1,609,566 were purchased for governmental activities and \$61,419 for the sewer operations. The Town's total debt decreased by \$943,500 during the current fiscal year, as the Town made increased payments on governmental debt. The Town made all required payments. The Town has \$1,149,500 in general obligation debt and \$635,000 related to sewer improvements. All debt is being paid down as scheduled.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town of Kingston Springs's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Kingston Springs include general government, personnel, finance, parks, planning, fire, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Kingston Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds. The Town also reports one enterprise (business-like) fund with its Sewer fund.

The Town of Kingston Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 14-28 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-51 of this report.

Financial Analysis of the Financial Statements -- Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Kingston Springs, assets exceeded liabilities by \$15,365,048 at the close of the most recent fiscal year.

By far the largest portion of the Town’s assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of the Financial Statements - Town of Kingston Springs’s Net Position - 2023

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 4,841,710	1,830,663
Capital assets	<u>9,327,815</u>	<u>2,610,257</u>
Total assets	14,169,525	4,440,920
Deferred outflows	534,467	27,917
Long-term liabilities outstanding	1,149,500	635,000
Other liabilities	<u>361,552</u>	<u>19,135</u>
Total liabilities	1,511,052	654,135
Deferred inflows:	831,577	811,017
Net position:		
Net investment in capital assets	8,178,315	1,975,257
Restricted	252,404	0
Unrestricted	<u>3,930,644</u>	<u>1,028,428</u>
Total net position	\$12,361,363	3,003,685

Financial Analysis of the Financial Statements - Town of Kingston Springs's Net Position – 2022

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 6,206,662	1,019,312
Capital assets	<u>8,222,895</u>	<u>2,698,551</u>
Total assets	14,429,557	3,717,863
Deferred outflows	461,825	29,110
Long-term liabilities outstanding	2,012,000	716,000
Other liabilities	<u>102,448</u>	<u>7,014</u>
Total liabilities	2,114,448	723,014
Deferred inflows:	1,535,483	22,008
Net position:		
Net investment in capital assets	6,210,895	1,982,551
Restricted	414,985	-
Unrestricted	<u>4,615,571</u>	<u>1,019,400</u>
Total net position	\$11,241,451	3,001,951

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Financial Analysis of the Financial Statements

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

Governmental Funds

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,723,020. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80% of total general fund expenditures.

Comparison of revenues of expenses

	2023 Govern- mental Activities	2022 Govern- mental Activities	Change from Previous Year	2023 Business- type Activities	2022 Business- type Activities	Change from Previous Year
Revenues:						
Program revenues:						
Charges for services	190,376	137,912	52,464	517,025	536,052	(19,027)
Operating grants and contributions	346,793	425,068	(78,275)	0	0	0
Capital grants and contributions	689,507	0	689,507	0	0	0
General revenues:						
Property taxes	817,670	818,790	(1,120)	0	0	0
Sales taxes	1,391,395	1,304,253	87,142	0	0	0
Other local taxes	241,645	230,330	11,315	0	0	0
Other state shared taxes	10,186	10,919	(733)	0	0	0
Other	31,573	36,870	(5,297)	2,768	600	2,168
Total revenues	\$3,719,145	\$2,964,142	\$755,003	\$519,793	\$536,652	(\$16,859)
Expenses:						
General government	538,894	571,323	(32,429)	0	0	0
Codes	12,016	12,295	(279)	0	0	0
Police department	844,031	837,244	6,787	0	0	0
Fire department	291,447	232,209	59,238	0	0	0
Highways and streets	555,019	474,215	80,804	0	0	0
Tourism	62,211	15,174	47,037	0	0	0
Parks and recreations	295,615	331,611	(35,996)	0	0	0
Sewer department	0	0	0	518,059	610,619	(92,560)
Total expenses	\$2,599,233	\$2,474,071	\$125,162	\$518,059	\$610,619	(\$92,560)
Increases in Net Position	1,119,912	490,071	629,841	1,734	(73,967)	75,701

Governmental Budgetary Highlights

The Town maintained its budgeted appropriations during the year.

Capital Assets

The Town of Kingston Springs's investment in capital assets from its governmental activities at June 30, 2023, amounts to \$9,327,815 (net of accumulated depreciation) and its business-type activities amounts to \$2,610,257. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

Town of Kingston Springs's Capital Assets - 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$ 2,243,953	66,432
Infrastructure	11,124,147	5,797,421
Equipment	<u>2,776,344</u>	<u>99,697</u>
Less accumulated depreciation	(6,816,629)	(3,353,293)
Net Capital Assets	\$ <u>9,327,815</u>	<u>2,610,257</u>

Town of Kingston Springs's Capital Assets - 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land and buildings	\$ 2,152,767	48,432
Infrastructure	9,890,479	5,754,002
Equipment	<u>2,491,632</u>	<u>99,697</u>
Less accumulated depreciation	(6,311,983)	(3,203,580)
Net Capital Assets	\$ <u>8,222,895</u>	<u>2,698,551</u>

Additional information on the Town of Kingston Springs's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

The Town has several loans outstanding for the Fire department of \$358,000 and sidewalk installation and property purchase of \$791,500 and \$635,000 for the Town's sewer system. Additional information on the Town of Kingston Springs's Long-term debt can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, General fund revenues are budgeted to maintain from the 2022-2023 budget year primarily due to higher local taxes and lower state shared revenues. The Town's budget has benefited by a growing commercial and retail base producing higher local sales tax receipts. All of these factors were considered in preparing the Town's budget for the 2023-2024 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Kingston Springs, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kellie Reed
Town of Kingston Springs

BASIC FINANCIAL STATEMENTS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Net Position

June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	3,629,217	1,714,233	5,343,450
Receivables	1,160,657	99,594	1,260,251
Prepaid assets	51,836	16,836	68,672
Capital assets not being depreciated	226,790	66,419	293,209
Capital assets, net of accumulated depreciation	<u>9,101,025</u>	<u>2,543,838</u>	<u>11,644,863</u>
Total Assets	<u>14,169,525</u>	<u>4,440,920</u>	<u>18,610,445</u>
Deferred Outflows			
Deferred outflow of resources - OPEB	4,037	0	4,037
Deferred outflow of resources - pension	<u>530,430</u>	<u>27,917</u>	<u>558,347</u>
Total Deferred Outflows	<u>534,467</u>	<u>27,917</u>	<u>562,384</u>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities			
Accrued expenses	48,433	3,660	52,093
Total OPEB Liability	19,092	0	19,092
Net pension liability	294,027	15,475	309,502
Long-term liabilities:			
Due within one year	<u>301,600</u>	<u>83,000</u>	<u>384,600</u>
Due in more than one year	<u>847,900</u>	<u>552,000</u>	<u>1,399,900</u>
Total Liabilities	<u>1,511,052</u>	<u>654,135</u>	<u>2,165,187</u>
Deferred Inflow of Resources:			
Deferred inflows of resources - Unspent grant receipts	0	809,138	809,138
Deferred inflows of resources - Property taxes	765,000	0	765,000
Deferred inflows of resources - OPEB	30,876	0	30,876
Deferred inflows of resources - pension	<u>35,701</u>	<u>1,879</u>	<u>37,580</u>
Total Deferred Inflow of Resources	<u>831,577</u>	<u>811,017</u>	<u>1,642,594</u>
Net Position:			
Net investment in capital assets	8,178,315	1,975,257	10,153,572
Restricted - State Street aid	27,658	0	27,658
Restricted - Adequate facilities	114,813	0	114,813
Restricted - Drug fund	109,933	0	109,933
Unrestricted	<u>3,930,644</u>	<u>1,028,428</u>	<u>4,959,072</u>
Total Net Position	<u>12,361,363</u>	<u>3,003,685</u>	<u>15,365,048</u>

See accompanying notes to financial statements.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2023

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Government Activities:							
General government	538,894	93,830	810	689,507	245,253	0	245,253
Codes	12,016	0	0	0	(12,016)	0	(12,016)
Police	844,031	30,513	4,800	0	(808,718)	0	(808,718)
Fire	291,447	0	237,568	0	(53,879)	0	(53,879)
Highways and streets	555,019	0	103,615	0	(451,404)	0	(451,404)
Tourism	62,211	0	0	0	(62,211)	0	(62,211)
Parks and recreations	295,615	66,033	0	0	(229,582)	0	(229,582)
Total Governmental Activities	<u>2,599,233</u>	<u>190,376</u>	<u>346,793</u>	<u>689,507</u>	<u>(1,372,557)</u>	<u>0</u>	<u>(1,372,557)</u>
Business - type Activities:							
Sewer	507,659	517,025	0	0	0	9,366	9,366
Total Business Type Activities	<u>507,659</u>	<u>517,025</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,366</u>	<u>9,366</u>
Total	<u>3,106,892</u>	<u>707,401</u>	<u>346,793</u>	<u>689,507</u>	<u>(1,372,557)</u>	<u>9,366</u>	<u>(1,363,191)</u>
General Revenues:							
Property taxes					807,270	0	807,270
Sewer in lieu of taxes					10,400	(10,400)	0
Sales taxes					1,391,395	0	1,391,395
Beer and liquor taxes					134,045	0	134,045
Franchise taxes					107,600	0	107,600
Facilities tax					10,186	0	10,186
Interest income					5,136	2,768	7,904
Other					26,437	0	26,437
Total general revenues					<u>2,492,469</u>	<u>(7,632)</u>	<u>2,484,837</u>
Changes in Net Position					<u>1,119,912</u>	<u>1,734</u>	<u>1,121,646</u>
Net Position - beginning of year					11,241,451	3,001,951	14,243,402
Net Position - ending of year					<u>12,361,363</u>	<u>3,003,685</u>	<u>15,365,048</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2023

<u>Assets</u>	<u>General Fund</u>	<u>Adequate Facilities Fund</u>	<u>Drug Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$3,399,757</u>	<u>\$114,813</u>	<u>\$114,647</u>	<u>\$3,629,217</u>
Accounts receivable - other governments	<u>354,997</u>	<u>0</u>	<u>0</u>	<u>354,997</u>
Property tax receivable	<u>805,660</u>	<u>0</u>	<u>0</u>	<u>805,660</u>
Prepaid assets	<u>51,836</u>	<u>0</u>	<u>0</u>	<u>51,836</u>
Total Assets	<u>\$4,612,250</u>	<u>\$114,813</u>	<u>\$114,647</u>	<u>\$4,841,710</u>
 <u>Liabilities, Deferred Inflows, and Fund Balance</u>				
Liabilities:				
Accrued expenses	<u>4,076</u>	<u>0</u>	<u>4,714</u>	<u>8,790</u>
Total Liabilities	<u>4,076</u>	<u>0</u>	<u>4,714</u>	<u>8,790</u>
 Deferred Inflow of Resources:				
Deferred current property taxes	<u>765,000</u>	<u>0</u>	<u>0</u>	<u>765,000</u>
Deferred delinquent property taxes	<u>40,660</u>	<u>0</u>	<u>0</u>	<u>40,660</u>
Total Deferred Inflow of Resources	<u>805,660</u>	<u>0</u>	<u>0</u>	<u>805,660</u>
 Fund balance:				
Unassigned	<u>3,723,020</u>	<u>0</u>	<u>0</u>	<u>3,723,020</u>
Nonspendable	<u>51,836</u>	<u>0</u>	<u>0</u>	<u>51,836</u>
Restricted - State street aid	<u>27,658</u>	<u>0</u>	<u>0</u>	<u>27,658</u>
Restricted	<u>0</u>	<u>114,813</u>	<u>109,933</u>	<u>224,746</u>
Total Fund Balance	<u>3,802,514</u>	<u>114,813</u>	<u>109,933</u>	<u>4,027,260</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$4,612,250</u>	<u>\$114,813</u>	<u>\$114,647</u>	<u>\$4,841,710</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$ 4,027,260
Amounts reported for governmental activities in the statement of net position are different because:	
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension liability	(294,027)
Deferred outflow - pension	530,430
Deferred inflow - pension	(35,701)
OPEB related accounts - governmental funds to not record these post-benefit obligations	
Total OPEB Liability	(19,092)
Deferred outflow - OPEB	4,037
Deferred inflow - OPEB	(30,876)
Long-term liabilities, including bonds payable and accrued vacation are not due and payable in the current period and therefore are not recorded in the funds	
Long-term debt	(1,149,500)
Accrued vacation time	(39,643)
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	40,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>9,327,815</u>
Net Position of governmental activities	\$ <u><u>12,361,363</u></u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2023

	General Fund	Adequate Facilities Fund	Drug Fund	Total Governmental Funds
Revenues:				
Taxes	2,050,892	9,929	0	2,060,821
Intergovernmental	1,397,408	0	0	1,397,408
Permits	93,830	0	0	93,830
Fines	30,046	0	467	30,513
Miscellaneous	125,798	257	118	126,173
Total Revenues	<u>\$3,697,974</u>	<u>\$10,186</u>	<u>\$585</u>	<u>\$3,708,745</u>
Expenditures:				
Current:				
General government	622,054	0	0	622,054
Codes	12,016	0	0	12,016
Police department	709,096	0	10,652	719,748
Fire department	155,413	0	0	155,413
Parks and recreation	260,899	0	0	260,899
Highway and streets	304,278	0	0	304,278
Tourism	62,211	0	0	62,211
Capital outlay:				
General government	1,233,668	0	0	1,233,668
Police department	103,108	0	0	103,108
Fire department	28,512	0	0	28,512
Highway and streets	88,429	0	0	88,429
Parks and recreation	155,849	0	0	155,849
Debt service:				
Principle	862,500	0	0	862,500
Interest	44,640	0	0	44,640
Total Expenditures	<u>\$4,642,673</u>	<u>\$0</u>	<u>\$10,652</u>	<u>\$4,653,325</u>
Excess (deficiency) of revenues over expenditures	<u>(944,699)</u>	<u>10,186</u>	<u>(10,067)</u>	<u>(944,580)</u>
Operating transfer: In lieu of taxes	10,400	0	0	10,400
Net change in fund balance	<u>(934,299)</u>	<u>10,186</u>	<u>(10,067)</u>	<u>(934,180)</u>
Fund Balance, Beginning of year	4,736,813	104,627	120,000	4,961,440
Fund Balance, End of year	<u>\$3,802,514</u>	<u>\$114,813</u>	<u>\$109,933</u>	<u>\$4,027,260</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	\$	(934,180)
Amounts reported for governmental activities in the statement of net position are different because:		
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds		
Change in pension plan accrual		20,991
Change in OPEB accounts		29,646
Change in employee vacation accrual		(4,625)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		
Debt principal payments		862,500
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		40,660
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		1,609,566
Depreciation expense		<u>(504,646)</u>
Change in Net Position of governmental activities	\$	<u>1,119,912</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Net Position

Enterprise (Sewer) Fund

June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$1,714,233
Accounts receivable	99,594
Prepaid insurance	16,836
Total Current Assets	1,830,663

Capital Assets:

Land	66,432
Sewer plant	5,897,118
Less accumulated depreciation	(3,353,293)
Total Capital Assets, Net	2,610,257

Total Assets	\$4,440,920
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Deferred Outflow - Pension	\$27,917
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Liabilities

Current Liabilities (payable from current assets):

Accrued expenses	\$3,660
Current portion of long-term debt	83,000
Total Current Liabilities (payable from current assets)	86,660

Long-Term Debt	552,000
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Net Pension Liability	15,475
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Total Liabilities	\$654,135
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Deferred Inflows - unspent grant funds	\$809,138
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Deferred Inflows - pension	1,879
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Total Deferred Inflows	\$811,017
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Net Position:

Net investment in capital assets	1,975,257
Unrestricted	1,028,428

Total Net Position	\$3,003,685
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The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise (Sewer) Fund

For the Year Ended June 30, 2023

Operating Revenues:	
Sewer usage fees	\$505,375
Sewer tap fees	11,650
Total Operating Revenues	<u>517,025</u>
Operating Expenses:	
Personnel costs	63,998
Billing services	33,305
Repair and maintenance, net of insurance proceeds	80,511
Insurance	14,831
Vehicle expenses	4,966
Utilities	109,635
Supplies	30,662
Dues	675
Depreciation	149,713
Miscellaneous	0
Total Operating Expenses	<u>488,296</u>
Operating income (loss)	<u>28,729</u>
Nonoperating Revenues (Expenses):	
Interest expense	(19,363)
Interest income	2,768
Total Nonoperating Revenues (Expenses)	<u>(16,595)</u>
Payment in lieu of taxes	<u>(10,400)</u>
Net change in Net Position	<u>1,734</u>
Net Position, July 1, 2022	3,001,951
Net Position, June 30, 2023	<u>\$3,003,685</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Statement of Cash Flows

Sewer Fund

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Cash received from customers	491,439
Cash paid to suppliers	(294,236)
Cash paid to employees	<u>(63,998)</u>
Net Cash Provided (Used) by Operating Activities	<u>133,205</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(61,419)
ARPA grant funds received	809,138
Interest paid	(19,363)
Repayment of debt	<u>(81,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>647,356</u>
Cash Flows from Investing Activities:	
Interest received	<u>2,768</u>
Net Cash Flows Provided (Used) From by Investing Activities	<u>2,768</u>
Net Increase (decrease) in Cash	783,329
Cash and Cash Equivalents, July 1, 2022	<u>930,904</u>
Cash and Cash Equivalents, June 30, 2023	<u>1,714,233</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	28,729
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
In lieu of taxes	(10,400)
Depreciation	149,713
Change in assets (increase) decrease:	
Accounts receivable	(25,586)
Prepaid assets	(6,804)
Net pension asset	4,368
Deferred outflow	1,193
Change in liabilities increase (decrease):	
Accrued expenses	(3,354)
Net pension liability	15,475
Deferred inflow	<u>(20,129)</u>
Net Cash Provided (Used) by Operating Activities	<u>133,205</u>

See accompanying notes to financial statements.

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property tax	765,215	765,215	772,101	6,886
Interest on property tax	2,488	2,488	1,215	(1,273)
Cable TV franchise	45,799	45,799	43,911	(1,888)
Wholesale beer and liquor taxes	126,211	126,211	118,569	(7,642)
Local sales tax	800,000	800,000	1,051,407	251,407
Hotel and motel tax	30,381	30,381	63,689	33,308
Total Taxes	1,770,094	1,770,094	2,050,892	280,798
Intergovernmental:				
TVA in lieu	28,938	28,938	33,954	5,016
State sales tax	310,900	310,900	339,988	29,088
State mixed drink taxes	15,531	15,531	14,187	(1,344)
State special petroleum tax	5,043	5,043	5,174	131
State gasoline and motor taxes	50,516	50,516	50,517	1
State gasoline inspection fee	15,000	15,000	14,571	(429)
State gasoline 1989 tax	8,500	8,500	7,889	(611)
State gasoline 2017 tax	25,200	25,200	25,464	264
State supplements	5,600	5,600	4,800	(800)
State grants	997,000	1,089,907	689,507	(400,400)
Fire tax - County	210,068	210,068	210,068	0
State beer tax	1,295	1,295	1,289	(6)
Total Intergovernmental Revenue	1,673,591	1,766,498	1,397,408	(369,090)
Permits:	34,402	34,402	93,830	59,428
Fines:	31,758	31,758	30,046	(1,712)
Miscellaneous:				
Interest income	1,800	1,800	5,018	3,218
Park and activities	28,931	28,931	66,033	37,102
Insurance proceeds	9,485	9,485	19,415	9,930
Donations	12,000	12,000	810	(11,190)
Fire fighters association	27,500	27,500	27,500	0
Miscellaneous	10,844	10,844	7,022	(3,822)
Total Miscellaneous	90,560	90,560	125,798	35,238
 Total Revenues	 3,600,405	 3,693,312	 3,697,974	 4,662

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	4,859	4,859	3,335	1,524
Employee benefits	1,330	1,330	1,493	(163)
Advertising	4,300	4,300	4,582	(282)
Dues and subscriptions	2,200	2,200	2,354	(154)
Utilities	22,415	22,415	22,286	129
Professional services	140,700	140,700	101,671	39,029
Maintenance and supplies	25,200	25,200	16,180	9,020
Office expense	24,350	24,350	14,496	9,854
Insurance	5,105	5,105	3,347	1,758
Donations	13,000	13,000	17,500	(4,500)
Grants	515,840	515,840	0	515,840
Miscellaneous	10,700	10,700	0	10,700
	<u>769,999</u>	<u>769,999</u>	<u>187,244</u>	<u>582,755</u>
Capital outlay	1,072,152	1,072,152	1,233,668	(161,516)
Debt service	800,000	800,000	795,762	4,238
Total General Government	<u>2,642,151</u>	<u>2,642,151</u>	<u>2,216,674</u>	<u>425,477</u>
Administration				
Current:				
Personnel costs	198,311	198,311	187,589	10,722
Employee benefits	53,411	53,411	68,887	(15,476)
Training	1,500	1,500	680	820
Travel	2,900	2,900	1,887	1,013
Miscellaneous	1,000	1,000	2,746	(1,746)
	<u>257,122</u>	<u>257,122</u>	<u>261,789</u>	<u>(4,667)</u>
Capital outlay	0	0	0	0
Total Administration	<u>257,122</u>	<u>257,122</u>	<u>261,789</u>	<u>(4,667)</u>
City Council				
Current:				
Personnel costs	10,335	10,335	9,600	735
Employee benefits	1,900	1,900	1,024	876
Miscellaneous	625	625	433	192
	<u>12,860</u>	<u>12,860</u>	<u>11,057</u>	<u>1,803</u>
Capital outlay	0	0	0	0
Total City Council	<u>12,860</u>	<u>12,860</u>	<u>11,057</u>	<u>1,803</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
City Clerk				
Current:				
Personnel costs	109,120	109,120	55,475	53,645
Employee benefits	33,096	33,096	20,797	12,299
Miscellaneous	950	950	872	78
	<u>143,166</u>	<u>143,166</u>	<u>77,144</u>	<u>66,022</u>
Capital outlay	0	0	0	0
Total City Clerk	<u>143,166</u>	<u>143,166</u>	<u>77,144</u>	<u>66,022</u>
Judicial and Legal				
Current:				
Judicial and legal	3,000	3,000	3,000	0
City attorney services	40,000	40,000	52,367	(12,367)
Miscellaneous	350	350	350	0
	<u>43,350</u>	<u>43,350</u>	<u>55,717</u>	<u>(12,367)</u>
Capital outlay	0	0	0	0
Total Judicial and Legal	<u>43,350</u>	<u>43,350</u>	<u>55,717</u>	<u>(12,367)</u>
Planning and Zoning				
Current:				
Planning Office	23,690	23,690	29,086	(5,396)
Miscellaneous	250	250	17	233
	<u>23,940</u>	<u>23,940</u>	<u>29,103</u>	<u>(5,163)</u>
Capital outlay	0	0	0	0
Total Planning and Zoning	<u>23,940</u>	<u>23,940</u>	<u>29,103</u>	<u>(5,163)</u>
Total General Government	<u>3,122,589</u>	<u>3,122,589</u>	<u>2,651,484</u>	<u>471,105</u>
Codes				
Current:				
Contracted services	19,200	19,200	8,914	10,286
Clean up costs and demolition	8,000	8,000	0	8,000
Insurance costs	10	10	2	8
Memberships	2,500	2,500	3,100	(600)
Miscellaneous	300	300	0	300
	<u>30,010</u>	<u>30,010</u>	<u>12,016</u>	<u>17,994</u>
Capital outlay	0	0	0	0
Total Codes	<u>30,010</u>	<u>30,010</u>	<u>12,016</u>	<u>17,994</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Police				
Current:				
Personnel costs	433,103	433,103	430,684	2,419
Employee benefits	198,320	198,320	165,897	32,423
Training	9,500	9,500	4,498	5,002
Uniforms	5,600	5,600	3,224	2,376
Vehicle expense	45,000	45,000	19,420	25,580
Utilities	4,000	4,000	8,433	(4,433)
Professional services	13,130	13,130	13,782	(652)
Maintenance and supplies	39,800	39,800	42,214	(2,414)
Insurance	15,610	15,610	15,887	(277)
Travel	10,600	10,600	4,997	5,603
Miscellaneous	2,050	2,050	60	1,990
	<u>776,713</u>	<u>776,713</u>	<u>709,096</u>	<u>67,617</u>
Capital outlay	110,000	114,345	103,108	11,237
Total Police	<u>886,713</u>	<u>891,058</u>	<u>812,204</u>	<u>78,854</u>
Fire:				
Current:				
Personnel costs	34,406	34,406	31,200	3,206
Employee benefits	1,322	1,322	3,722	(2,400)
Training	3,450	3,450	3,870	(420)
Uniforms	5,000	5,000	433	4,567
Vehicle expense	32,000	32,000	18,141	13,859
Utilities	24,700	24,700	19,773	4,927
Professional services	6,060	6,060	3,068	2,992
Maintenance and supplies	31,550	31,550	52,309	(20,759)
Insurance	16,600	16,600	17,676	(1,076)
Travel	9,000	9,000	5,221	3,779
Miscellaneous	3,200	3,200	0	3,200
	<u>167,288</u>	<u>167,288</u>	<u>155,413</u>	<u>11,875</u>
Debt service	51,910	51,910	111,378	(59,468)
Capital outlay	159,500	159,500	28,512	130,988
Total Fire	<u>378,698</u>	<u>378,698</u>	<u>295,303</u>	<u>83,395</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Streets				
Current:				
Personnel costs	139,067	139,067	122,681	16,386
Employee benefits	62,734	62,734	52,375	10,359
Uniforms	3,000	3,000	3,140	(140)
Vehicle expense	23,000	23,000	7,824	15,176
Maintenance and supplies	108,600	108,600	41,730	66,870
Insurance	6,040	6,040	5,745	295
Miscellaneous	0	0	0	0
	342,441	342,441	233,495	108,946
Capital outlay	228,000	228,000	88,429	139,571
Total Streets	570,441	570,441	321,924	248,517
State Street Aid				
Current:				
Street lights	45,894	45,894	70,783	(24,889)
Miscellaneous	0	0	0	0
	45,894	45,894	70,783	(24,889)
Capital outlay	56,943	56,943	0	56,943
Total State Street Aid	102,837	102,837	70,783	32,054
Parks				
Current:				
Personnel costs	124,870	124,870	114,132	10,738
Employee benefits	45,070	45,070	42,082	2,988
Training	1,000	1,000	1,068	(68)
Activities	10,000	10,000	9,154	846
Vehicle expense	14,500	14,500	5,825	8,675
Utilities	20,000	20,000	21,200	(1,200)
Land rental	2,700	2,700	2,614	86
Maintenance and supplies	60,400	107,500	51,376	56,124
Insurance	7,938	7,938	7,581	357
Travel	3,500	3,500	3,555	(55)
Miscellaneous	3,580	3,580	2,312	1,268
	293,558	340,658	260,899	79,759
Capital outlay	62,000	150,000	155,849	(5,849)
Total Parks	355,558	490,658	416,748	73,910

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Tourism:				
Current:				
Economic Development	61,700	61,700	59,667	2,033
Farmers Market	4,000	8,820	2,544	6,276
	<u>65,700</u>	<u>70,520</u>	<u>62,211</u>	<u>8,309</u>
Capital outlay	0	0	0	0
Total Tourism	<u>65,700</u>	<u>70,520</u>	<u>62,211</u>	<u>8,309</u>
Total Expenditures	<u>5,513,546</u>	<u>5,657,811</u>	<u>4,642,673</u>	<u>1,014,138</u>
Excess (deficiency) of revenues over expenditures	(1,913,141)	(1,964,499)	(944,699)	1,019,800
Other financing sources: In lieu of property taxes	<u>9,485</u>	<u>9,485</u>	<u>10,400</u>	<u>915</u>
Net change in fund balance	<u>(1,903,656)</u>	<u>(1,955,014)</u>	<u>(934,299)</u>	<u>1,020,715</u>
Fund Balance, July 1, 2022	4,736,813	4,736,813	4,736,813	0
Fund Balance, June 30, 2023	<u><u>2,833,157</u></u>	<u><u>2,781,799</u></u>	<u><u>3,802,514</u></u>	<u><u>1,020,715</u></u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Adequate Facilities Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Adequate facilities tax	12,678	12,678	9,929	(2,749)
Interest income	<u>179</u>	<u>179</u>	<u>257</u>	<u>78</u>
Total Revenues	<u>12,857</u>	<u>12,857</u>	<u>10,186</u>	<u>(2,671)</u>
Expenditures:				
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	12,857	12,857	10,186	(2,671)
Fund Balance, July 1, 2022	<u>104,627</u>	<u>104,627</u>	<u>104,627</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>117,484</u></u>	<u><u>117,484</u></u>	<u><u>114,813</u></u>	<u><u>(2,671)</u></u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Drug fines	11,139	11,139	467	(10,672)
Interest	<u>73</u>	<u>73</u>	<u>118</u>	<u>45</u>
Total Revenues	<u>11,212</u>	<u>11,212</u>	<u>585</u>	<u>(10,627)</u>
Expenditures:				
Current:				
Vehicle expenses	5,000	5,000	4,730	270
Supplies	4,392	4,392	3,923	469
Insurance	1,238	1,238	1,859	(621)
Miscellaneous	<u>550</u>	<u>550</u>	<u>140</u>	<u>(410)</u>
	11,180	11,180	10,652	528
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>11,180</u>	<u>11,180</u>	<u>10,652</u>	<u>528</u>
Excess (deficiency) of revenues over expenditures	32	32	(10,067)	(10,099)
Fund Balance, July 1, 2022	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>120,032</u></u>	<u><u>120,032</u></u>	<u><u>109,933</u></u>	<u><u>(10,099)</u></u>

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

NOTES TO THE FINANCIAL
STATEMENTS

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The Town of Kingston Springs, Tennessee, was incorporated on December 14, 1965, under the provisions of the State of Tennessee Code Annotated, Sec. 6-18-101. The Town operates under a Commissioner-Manager form of government. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (police and fire), sewer services, streets, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the Town of Kingston Springs, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Government activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds and enterprise funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most other governmental revenues as available if received within 45 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Adequate Facilities Fund - To account for the receipt and payment of capital assets purchased to improve the Town's infrastructure.

Drug Fund – To account for the expenditures from drug related fines and related revenues.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise fund:

The Utility Fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. No amounts were recorded at yearend. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items (pension related and OPEB related) that qualifies for reporting in this category.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items (property taxes, pension related and OPEB related) that qualifies for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, which do not meet the availability criteria in governmental funds. Additionally, the Town has one item (unspent grant receipts) that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current 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.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including streets and sidewalks are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is expensed when paid and thus not a part of the capitalized cost.

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-30 years
Furniture and Equipment	5-10 years

Property Tax

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.75 per \$100 of assessed valuation for the fiscal year ended June 30, 2023.

Payments may be made during the period from October 1 through February 28th. Current tax collections of \$746,412 for the fiscal year ended June 30, 2023 were approximately 95 percent of the tax levy.

Delinquent taxes are turned over for collection as required by the Town's Municipal Code.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and enterprise fund types 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 type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

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 debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

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 Kingston Springs' participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Kingston Springs' 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.

Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

Unrestricted – All other net position that does not meet the description of the above categories.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Other Post-Employment Benefit Plan- (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the Town of Kingston Springs' participation in the Local Government OPEB Plan (LGOP) and Tennessee Plan (TNP), and additions to/deductions from the Town of Kingston Springs' fiduciary net position have been determined on the same basis as they are reported by the LGOP and TNP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP and TNP.

Fund Balance

The Town implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable Fund Balance - This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed Fund Balance - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Commissioners of the Town of Kingston Springs, Tennessee. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned Fund Balance - This classification included amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board of Commissioners and its designee, the Finance Director, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

(2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in savings accounts. The Town has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the town. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the Town's name. Investment policies of the Town follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(3) Accounts Receivable

Accounts receivable at June 30, 2023, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Tax</u>	<u>User Charges</u>	<u>Total</u>
General Fund	\$ 354,997	805,660	-	1,160,657
Sewer Fund	-	-	106,025	106,025
Allowance for Unpaid	-	-	<u>(6,431)</u>	<u>(6,431)</u>
Total	<u>\$ 354,997</u>	<u>805,660</u>	<u>99,594</u>	<u>1,260,251</u>

(4) Capital Assets

The following is a summary of changes in the governmental capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Land	\$ 441,106	-	-	441,106
Buildings and improvements	765,997	91,186	-	857,183
Improvements other than buildings	945,664	-	-	945,664
Infrastructure	9,890,479	1,233,668	-	11,124,147
Machinery and equipment	<u>2,491,632</u>	<u>284,712</u>	-	<u>2,776,344</u>
Total	<u>14,534,878</u>	<u>1,609,566</u>	<u>-</u>	<u>16,144,444</u>
Less Accumulated depreciation	<u>(6,311,983)</u>			<u>(6,816,629)</u>
Net capital assets in service	<u>\$ 8,222,895</u>			<u>9,327,815</u>

All assets, except \$226,790 of land, are being depreciated.

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

General Fund:

General government administration	\$ 3,512
Parks department	34,716
Police department	124,283
Fire department	91,394
Highways and Streets	<u>250,741</u>
Total	<u>\$ 504,646</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(4) Capital Assets, Continued

A summary of changes in Enterprise (Sewer) Fund capital assets and related accumulated depreciation follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Land	\$ 48,432	18,000	-	66,432
Utility plant in service	5,754,002	43,419	-	5,797,421
Machinery and equipment	<u>99,697</u>	<u>-</u>	<u>-</u>	<u>99,697</u>
Total	<u>5,902,131</u>	<u>61,419</u>	<u>-</u>	<u>5,963,550</u>
Less Accumulated depreciation	<u>(3,203,580)</u>			<u>(3,353,293)</u>
Net capital assets in service	\$ <u>2,698,551</u>			<u>2,610,257</u>

All assets of the sewer fund except for land of \$66,432 are being depreciated. Depreciation expense for the year was \$149,713.

(5) Long-Term Debt and Other Obligations Payable

Direct Borrowings

The following schedule reflects the changes in long-term debt, as shown in the Enterprise Fund during fiscal year 2023.

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable:					
Sewer System Revenue & Tax	<u>716,000</u>	<u>0</u>	<u>81,000</u>	<u>635,000</u>	<u>83,000</u>
Total	<u>716,000</u>	<u>0</u>	<u>81,000</u>	<u>635,000</u>	<u>83,000</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2023 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	83,000	17,568
2025	86,000	15,066
2026	88,000	13,980
2027	91,000	11,340
2028	93,000	8,610
2029-2030	<u>194,000</u>	<u>8,760</u>
Total	<u>635,000</u>	<u>75,324</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(5) Long-Term Debt and Other Obligations Payable, Continued

The following schedule reflects the changes in Governmental long-term debt during fiscal year 2023.

Bonds Payable:	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Fire Loan	395,000	0	37,000	358,000	39,000
TMBF - 3 Year	997,000	0	780,500	216,500	216,500
TMBF - 12 Year	370,000	0	27,200	342,800	27,800
TMBF - GO CON 12 Year	250,000	0	17,800	232,200	18,300
Total	<u>2,012,000</u>	<u>0</u>	<u>862,500</u>	<u>1,149,500</u>	<u>301,600</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2023 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	301,600	36,401
2025	88,200	24,415
2026	91,400	21,806
2027	93,600	19,339
2028	96,900	16,989
2029-2033	418,800	36,013
2034	<u>59,000</u>	<u>737</u>
Total	<u>1,149,500</u>	<u>155,700</u>

The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated, Title 8, Chapter 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 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.

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	6
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>18</u>
Total	<u>43</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan, Continued

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. Kingston Springs makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, actuarially determined contribution for Kingston Springs were (\$102,679) based on a rate of (11.28%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Kingston Springs' state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Kingston Springs' 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 improvement.

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.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension, Continued

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) are developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25% percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)	(a) - (b)
(a)	(b)		
Balance at 6/30/21	\$2,607,159	\$2,679,965	(\$72,806)
Changes for the Year:			
Service Cost	80,649	-	80,649
Interest	179,129	-	179,129
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	118,668	-	118,668
Changes in Assumptions	-	-	-
Contributions-employer	-	59,854	(59,854)
Contributions-employees	-	41,052	(41,052)
Net investment income	-	(103,120)	103,120
Benefit payments, including refunds of employee contributions	(68,097)	(68,097)	-
Administrative expense	-	(1,648)	1,648
Other changes	-	-	-
Net changes	310,349	(71,959)	382,308
Balance at 6/30/22	<u>\$ 2,917,508</u>	<u>\$ 2,608,006</u>	<u>\$ 309,502</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Kingston Springs 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%)
Kingston Springs' net pension Liability (asset)	\$ 749,504	(\$309,502)	(\$51,941)

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension, Continued

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2023, Kingston Springs recognized pension expense (negative pension expense) of \$82,594.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, Kingston Springs reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	\$ 272,831	\$ 37,580
Net difference between projected and Actual earning on pension plan		
Investments	9,627	-
Changes in Assumptions	173,210	-
Contributions subsequent to the Measurement date of June 30, 2022	<u>102,679</u>	<u>-</u>
Total	\$ <u>558,347</u>	\$ <u>37,580</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net position 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:

2024	72,506
2025	42,292
2026	38,828
2027	117,449
2028	67,027
Thereafter	79,995

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

Local Government OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Town, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OEB 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 chose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided -The Town 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 health-savings 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 Town does not directly subsidize and are only subject to the implicit. 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 were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>21</u>
Total	<u>21</u>

An 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 established premium rates. For the fiscal year ended June 30, 2023, the Town paid \$102 to the LGOP for OPEB benefits as they came due.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP Total OPEB Liability

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

Inflation -	2.25%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates –	8.37% for pre-65 in 2022, decreasing annually over a 7-year period to an ultimate rate of 4.50%. 8.99% for post-65 in 2022, decreasing annually over an 8-year period to an ultimate rate of 4.50%
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 distributions 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 a 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.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 27,949
Changes for the year:	
Service cost	\$ 3,707
Interest	\$ 680
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (564)
Change in assumptions	\$ (12,371)
Benefit payments	\$ (309)
Net changes	\$ (8,857)
Total OPEB liability - ending balance	\$ 19,092

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 decreased 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 higher than the current discount rate.

	Current Discount Rate Assumption	
1% Decrease		1% Increase
<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
\$ 21,025	\$ 19,092	\$ 17,323

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-lower or 1-percentage-point-higher than the current healthcare cost trend rate.

	Current Healthcare Cost Trend Rate Assumption	
1% Decrease		1% Increase
<u>(7.37/7.99% Decreasing to 3.50%)</u>	<u>(8.37/8.99% decreasing to 4.50%)</u>	<u>(9.37/9.99% decreasing to 5.50%)</u>
16,472	19,092	22,253

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

Note 7 - OTHER POSTEMPLOYMENT BENEFITS FOR RETIREE HEALTH INSURANCE - LGOP

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

OPEB Expense - For the fiscal year ended June 30, 2023, the Town of Kingston Springs recognized OPEB expense of \$249.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2023, the Town of Kingston Springs reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	8,673
Changes in assumptions	3,935	22,203
Employer payments subsequent to The measurement date	<u>102</u>	<u>-</u>
Total	<u>4,037</u>	<u>30,876</u>

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 related to OPEB will be recognized in employee benefit expense as follows:

Year Ended June 30:	
2024	(4,636)
2025	(4,636)
2026	(4,112)
2027	(3,995)
2028	(3,708)
Thereafter	<u>(5,854)</u>

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) - Other Postemployment Benefits For Retiree Health Insurance - TNP

During the year the Town discontinued its participation in the Tennessee Plan OPEB plan. There are no OPEB liabilities, deferred inflows, or deferred outflows remaining associated with this plan.

(9) Compensated Absences

The Town has accrued a liability for unused sick and vacation pay which is earned, but not taken by Town employees.

	<u>July 1, 2022</u>	<u>Addi- tions</u>	<u>Retire- ments</u>	<u>June 30, 2023</u>
Governmental activities	<u>35,018</u>	<u>4,625</u>	<u>-</u>	<u>39,643</u>
Business-type activities	<u>2,722</u>	<u>-</u>	<u>2,722</u>	<u>-</u>

(10) Budgets

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

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

TOWN OF KINGSTON SPRINGS, TENNESSEE

Notes to Financial Statements

June 30, 2023

(11) Risk Management

The Town is exposed to various risks to general liability and property and casualty losses. The Town has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town participates in the Public Entity Partners (formerly TML Insurance Pool), which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The Town pays an annual premium to the PEP for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies.

The Town has not had claims in excess of insurance coverage during the last three years.

(12) Commitments and Contingencies

Litigation:

The Town is named as defendant in various suits and claims the outcome of which, in the opinion of management, upon advice of legal counsel, will not materially affect the Town's financial position.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability (asset)									
Service cost	\$ 55,079	\$ 54,241	\$ 49,156	\$ 47,679	\$ 56,675	\$ 59,481	\$ 66,089	\$ 75,420	\$ 80,649
Interest	\$ 84,275	\$ 81,686	\$ 95,124	\$ 100,013	\$ 121,364	\$ 129,890	\$ 138,275	\$ 151,295	\$ 179,129
Changes in benefit terms	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ (168,585)	\$ 64,162	\$ (43,442)	\$ 182,048	\$ (39,244)	\$ (52,734)	\$ 14,930	\$ 178,213	\$ 118,668
Change of assumptions	-	-	-	\$ 34,378	\$ -	\$ -	\$ -	\$ 224,398	\$ -
Benefit payments, including refunds of employee contributions	\$ (4,157)	\$ (4,768)	\$ (26,869)	\$ (41,504)	\$ (23,754)	\$ (24,252)	\$ (30,918)	\$ (67,156)	\$ (68,097)
Net change in total pension liability (asset)	\$ (33,388)	\$ 195,321	\$ 73,969	\$ 322,614	\$ 115,041	\$ 112,385	\$ 188,376	\$ 562,170	\$ 310,349
Total pension liability (asset)-beginning	\$ 1,070,671	\$ 1,037,283	\$ 1,232,604	\$ 1,306,573	\$ 1,629,187	\$ 1,744,228	\$ 1,856,613	\$ 2,044,989	\$ 2,607,159
Total pension liability (asset)-ending (a)	\$ 1,037,283	\$ 1,232,604	\$ 1,306,573	\$ 1,629,187	\$ 1,744,228	\$ 1,856,613	\$ 2,044,989	\$ 2,607,159	\$ 2,917,508
Plan fiduciary net position									
Contributions-employer	\$ 42,693	\$ 41,550	\$ 39,363	\$ 35,726	\$ 34,278	\$ 43,621	\$ 51,497	\$ 56,864	\$ 59,854
Contributions-employee	\$ 29,443	\$ 29,594	\$ 28,036	\$ 8,653	\$ 27,249	\$ 29,922	\$ 35,319	\$ 39,002	\$ 41,052
Net investment income	\$ 170,607	\$ 39,087	\$ 36,095	\$ 181,772	\$ 134,353	\$ 133,678	\$ 98,227	\$ 546,773	\$ (103,120)
Benefit payments, including refunds of employee contributions	\$ (4,157)	\$ (4,768)	\$ (26,869)	\$ (41,504)	\$ (23,754)	\$ (24,252)	\$ (30,918)	\$ (67,156)	\$ (68,097)
Administrative expense	\$ (571)	\$ (751)	\$ (965)	\$ (1,018)	\$ (1,144)	\$ (1,155)	\$ (1,315)	\$ (1,390)	\$ (1,648)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ 238,015	\$ 104,712	\$ 75,660	\$ 183,629	\$ 170,982	\$ 181,814	\$ 152,810	\$ 574,093	\$ (71,959)
Plan fiduciary net position-beginning	\$ 998,250	\$ 1,236,265	\$ 1,340,977	\$ 1,416,637	\$ 1,600,266	\$ 1,771,248	\$ 1,953,062	\$ 2,105,872	\$ 2,679,965
Plan fiduciary net position-ending (b)	\$ 1,236,265	\$ 1,340,977	\$ 1,416,637	\$ 1,600,266	\$ 1,771,248	\$ 1,953,062	\$ 2,105,872	\$ 2,679,965	\$ 2,608,006
Net Pension Liability (asset)-ending (a) - (b)	\$ (198,982)	\$ (108,373)	\$ (110,064)	\$ 28,921	\$ (27,020)	\$ (96,449)	\$ (60,883)	\$ (72,806)	\$ 309,502
Plan fiduciary net position as a percentage of total pension liability	119.18%	108.79%	108.42%	98.22%	101.55%	105.19%	102.98%	102.79%	89.39%
Covered payroll	\$ 588,864	\$ 591,882	\$ 560,729	\$ 573,073	\$ 544,966	\$ 598,440	\$ 706,396	\$ 780,027	\$ 821,047
Net pension liability (asset) as a percentage of covered payroll	-33.79%	-18.31%	-19.63%	5.05%	-4.96%	16.12%	-8.62%	-9.33%	37.70%

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

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

TOWN OF KINGSTON SPRINGS, TENNESSEE
Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS

For the Year Ended June 30, 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	42,693	41,335	39,363	35,726	28,120	47,418	42,949	47,426	49,920	102,679
Contributions in relation to the actuarially determined contribution	<u>42,693</u>	<u>41,335</u>	<u>36,363</u>	<u>35,726</u>	<u>34,278</u>	<u>47,418</u>	<u>51,497</u>	<u>56,864</u>	<u>59,854</u>	<u>102,679</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$6,158)</u>	<u>\$0</u>	<u>(\$8,548)</u>	<u>(\$9,438)</u>	<u>(\$9,934)</u>	<u>\$0</u>
Covered-employee payroll	<u>588,864</u>	<u>570,212</u>	<u>560,729</u>	<u>573,073</u>	<u>544,966</u>	<u>650,449</u>	<u>706,396</u>	<u>780,027</u>	<u>821,047</u>	<u>732,404</u>
Contributions as a percentage covered-employee payroll	7.25%	7.25%	7.00%	6.29%	6.29%	7.29%	7.29%	7.29%	7.29%	11.28%

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

Notes to Schedule

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 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. 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.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Required Supplementary Information - OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios - LGOP

Measurement Year ending June 30

	2021	2022	2023
Total OPEB Liability			
Service Cost	\$ 3,962	\$ 5,354	\$ 3,707
Interest on the Total OPEB Liability	\$ 1,379	\$ 976	\$ 680
Change in Benefit Terms	\$ -	\$ -	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ (5,541)	\$ (2,639)	\$ (564)
Changes in assumptions and other inputs	\$ 4,067	\$ (14,389)	\$ (12,371)
Benefit payments	\$ (446)	\$ (311)	\$ (309)
Net change in Total OPEB Liability	<u>\$ 3,421</u>	<u>\$ (11,009)</u>	<u>\$ (8,857)</u>
Total OPEB Liability - Beginning	<u>\$ 35,537</u>	<u>\$ 38,958</u>	<u>\$ 27,949</u>
Total OPEB Liability - Ending	<u><u>\$ 38,958</u></u>	<u><u>\$ 27,949</u></u>	<u><u>\$ 19,092</u></u>
Estimated Covered -Employee Payroll	\$362,254	\$355,784	\$732,404
Total OPEB Liability as a Percentage of Covered- Employee Payroll	10.75%	7.86%	2.61%

Notes to Schedule

Note: 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.

**SUPPLEMENTAL
INFORMATION**

TOWN OF KINGSTON SPRINGS, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets Activity

June 30, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	441,106	0	0	441,106
Building improvements	765,997	91,186	0	857,183
Improvements other than buildings	945,664	0	0	945,664
Infrastructure	9,890,479	1,233,668	0	11,124,147
Equipment and vehicles	<u>2,491,632</u>	<u>284,712</u>	<u>0</u>	<u>2,776,344</u>
Total capital assets	<u>14,534,878</u>	<u>1,609,566</u>	<u>0</u>	<u>16,144,444</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds

June 30, 2023

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$3,399,757
Total General Fund	<u>3,399,757</u>
Adequate Facilities Fund:	
Demand deposits	114,813
Total State Street Aid Fund	<u>114,813</u>
Drug Fund:	
Demand deposits	114,647
Total Fire Department Fund	<u>114,647</u>
Sewer Fund:	
Demand deposits	<u>1,714,233</u>
Total Sewer Fund	<u>1,714,233</u>
Total - All funds	<u>\$5,343,450</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2023

<u>Tax Year</u>	<u>Balance July 1, 2022</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2023</u>
2023	\$ -	765,000	0	765,000
2022	747,796	18,901	746,412	20,285
2021	13,869	0	7,333	6,536
2020	7,243	0	2,276	4,967
2019	3,554	0	460	3,094
2018	1,835	0	290	1,545
2017	1,281	0	275	1,006
2016	1,204	0	39	1,165
2015	1,064	0	44	1,020
2014	1,086	0	44	1,042
2013	164	0	164	0
2012	150	0	150	0
	<u>\$779,246</u>	<u>783,901</u>	<u>757,487</u>	<u>805,660</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2023	.82	765,000	0	765,000
2022	.75	766,697	746,412	20,285
2021	.72	715,295	708,759	6,536
2020	.72	705,712	700,745	4,967
2019	.70	675,015	671,921	3,094
2018	.84	645,593	644,048	1,545
2017	.82	625,980	624,974	1,006
2016	.7983	595,074	593,909	1,165
2015	.91	605,150	604,130	1,020
2014	.91	601,775	600,733	1,042
2013	.89	589,848	589,848	0
2012	.84	573,615	573,615	0

All delinquent taxes have been filed.

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Debt Service Requirements - General Obligation

June 30, 2023

Year	CAPITAL OUTLAY NOTE		TMBF - 3 Year		TMBF - 12 Year		TMBF - GO CON 12 Year		TOTALS	TOTALS
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 39,000	13,404	216,500	9,242	27,800	7,400	18,300	6,355	301,600	36,401
2025	41,000	11,821			28,400	6,768	18,800	5,826	88,200	24,415
2026	43,000	10,402			29,100	6,121	19,300	5,283	91,400	21,806
2027	44,000	9,154			29,700	5,460	19,900	4,725	93,600	19,339
2028	46,000	8,056			30,400	4,784	20,500	4,149	96,900	16,989
2029	47,000	5,842			31,100	4,092	21,000	3,558	99,100	13,492
2030	48,000	3,900			31,800	3,384	21,600	2,952	101,400	10,236
2031	50,000	1,500			32,500	2,661	22,200	2,328	104,700	6,489
2032					33,200	1,922	22,900	1,685	56,100	3,607
2033					34,000	1,165	23,500	1,024	57,500	2,189
2034					34,800	392	24,200	345	59,000	737
	\$ <u>358,000</u>	<u>64,079</u>	<u>216,500</u>	<u>9,242</u>	<u>342,800</u>	<u>44,149</u>	<u>232,200</u>	<u>38,230</u>	<u>1,149,500</u>	<u>155,700</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Debt Service Requirements - Sewer Fund

June 30, 2023

<u>Year</u>	SEWER SYSTEM REVENUE & TAX CAPITAL LOAN		TOTALS	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 83,000	17,568	83,000	17,568
2025	86,000	15,066	86,000	15,066
2026	88,000	13,980	88,000	13,980
2027	91,000	11,340	91,000	11,340
2028	93,000	8,610	93,000	8,610
2029	96,000	5,820	96,000	5,820
2030	98,000	2,940	98,000	2,940
	<u>\$ 635,000</u>	<u>75,324</u>	<u>635,000</u>	<u>75,324</u>

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2023

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
Business-Type Activities									
Capital Outlay Note									
Sewer System Revenue & Tax	\$ 1,014,795	2.97%	11/28/2017	11/1/2029	\$ 716,000	-	\$ 81,000	-	\$ 635,000
Total Notes Payable					\$ 716,000	\$ -	\$ 81,000	\$ -	\$ 635,000
Governmental Activities									
Capital Outlay Notes and Bonds									
Fire Loan	\$ 498,704	3.96%	8/1/2018	8/1/2030	\$ 395,000	-	\$ 37,000	-	\$358,000
TMBF - 3 Year	997,000	1.83%	2022	12/1/2024	\$ 997,000	-	\$ 780,500	-	\$216,500
TMBF - 12 Year	370,000	2.25%	2022	12/1/2033	\$ 370,000	-	\$ 27,200	-	\$342,800
TMBF - GO CON 12 Year	250,000	2.85%	2022	4/1/2034	\$ 250,000	-	\$ 17,800	-	\$232,200
Total Notes and Bonds Payable					\$ 2,012,000	\$ -	\$ 862,500	\$ -	\$ 1,149,500

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Utility Rates

June 30, 2023

Sewer Rates

Base	\$10.03 Minimum charge
0-2,000 gallons	\$7.93 per 1,000 gallons
2,001-4,000 gallons	\$11.63 per 1,000 gallons
4,001-12,000 gallons	\$11.81 per 1,000 gallons
12,001-20,000 gallons	\$11.96 per 1,000 gallons
20,001+ gallons	\$12.41 per 1,000 gallons

Number of customers: approximately 795

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2023

Assistance Listing Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2022	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2023
State Program								
N/A	Z22TH5152	Highway Visibility	Tennessee Department of Safety	\$0	4,000	\$0	4,000	0
N/A	AG123-FM-15	Farmers Market	Tennessee Department of Agriculture	\$0	1,500	\$0	1,500	0
N/A	KS-01	Litter	Tennessee Department of Transportation	\$0	5,525	\$0	5,525	0
N/A	71166-75	Assistance for Firefighters	Tennessee Department of Agriculture	\$0	6,480	\$0	6,480	0
N/A	11LPLM-S1-015	Safe Routes to School Grant	State of Tennessee Department of Transportaton	\$0	0	\$0	127,886	127,886
N/A	11LPLM-S1-010	Multimodal	State of Tennessee Department of Transportaton	\$0	411,267	\$0	411,267	0
		Total State Grants		\$0	\$428,772	0	\$556,658	\$127,886
Federal Program								
97.036	N/A	Diaster Assistance	Federal Emergency Management Agency thru TN. Department of Military	\$0	82,850	0	82,850	\$0
10.766	N/A	Community Assistance	USDA thru Rural Development	\$0	0	0	50,000	\$50,000
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	(\$404,569)	404,569	0	0	(\$809,138)
		Total Federal Programs		(404,569)	487,419	0	132,850	(759,138)
		Total State and Federal Programs		(404,569)	916,191	0	689,508	(631,252)

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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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

Mayor and Board of Commissioners
Town of Kingston Springs, Tennessee
Kingston Springs, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Kingston Springs' basic financial statements, and have issued a report thereon dated September 30, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Kingston Springs' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kingston Springs' internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Kingston Springs' internal control.

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph 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. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kingston Springs' financial statements are free of 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 determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Town of Kingston Springs' response to the finding identified in the audit is described in the Schedule of Findings and Responses. The Town of Kingston Springs' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

John R Poole, CPA

September 30, 2023

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The Town of Kingston Springs currently has a few employees that work in performing the majority of the accounting functions for the Town. Due to having a few employees performing the accounting transactions there is currently an inadequate segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The Town has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: “We agree that the staff size will not allow the Town to segregate duties to the optimum level desired. There are minimal employees working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small town, we could not financially hire additional office help.”

TOWN OF KINGSTON SPRINGS, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Separation of Duties	Repeated

The original finding number was 1998-001. The current finding number is 2023-001.



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Management's Corrective Action Plan

Audit period: June 30, 2023

The findings from the June 30, 2023, Schedule of Findings and Responses are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact Person: Kellie Reed

Planned Corrective Action: It is not economically feasible at this time for hire a sufficient number of people to adequately separate the duties. The Board of Commissioners continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature: _____

A handwritten signature in cursive script, appearing to read "Kellie Reed", is written over a horizontal line.