

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2023**

**JOHNSON, MURPHEY & WRIGHT, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**CHATTANOOGA, TENNESSEE**

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**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Officials**  
**June 30, 2023**

Mayor ..... Walker Jones

Commissioner ..... Jim Bentley

Commissioner ..... Joe Hailey

Commissioner, Treasurer ..... William Valadez

Commissioner ..... Karen Leavengood

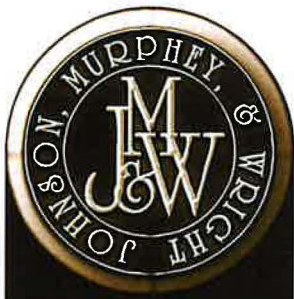
Town Attorney ..... Brian Smith

Assistant Treasurer, Recorder, Court Clerk, Town Clerk,  
Tax Collector ..... Belinda Allen

CMFO ..... Jennifer Waycaster

Town Consultant ..... Brooke Pippenger

## **II. FINANCIAL SECTION**



**Certified Public  
Accountants**

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37405

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**Members**

American Institute  
of **Certified**  
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Marianne Greene, CPA

Stuart Johnson, CPA

Audrey Nord, CPA

## **INDEPENDENT AUDITOR'S REPORT**

Mayor and Commissioners  
Town of Lookout Mountain, Tennessee

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Lookout Mountain, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Lookout Mountain, Tennessee's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Lookout Mountain, Tennessee, as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional 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 of Lookout Mountain, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Lookout Mountain, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS, and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS listed in the Table of Contents 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

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

### **Other Information**

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

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

Mayor and Commissioners  
Town of Lookout Mountain, Tennessee  
Page Four

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Town of Lookout Mountain, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lookout Mountain, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lookout Mountain, Tennessee's internal control over financial reporting and compliance.

*Johnson, Murphy & Wright, P.C.*

Chattanooga, Tennessee  
October 25, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Lookout Mountain, Tennessee, 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. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

### Financial Highlights

The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at June 30, 2023, by \$6,461,122 (net position). Of this amount \$3,802,717 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's governmental activities operated at a surplus of \$276,262.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,809,154, or 70.79%, of total General Fund expenditures.

As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$4,060,543. Only 6.19% is nonspendable, restricted or assigned for specific purposes, and the remaining 93.81%, or \$3,809,154 is available for spending at the Town's discretion (unassigned fund balance).

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the Town'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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, with the difference 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 taxes and earned but unused vacation leave).

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 Town has no business-type activities. The governmental activities of the Town include general government, public safety, public works, state street aid, and public welfare and recreation.

The government-wide financial statements can be found on pages 13 and 14 of this report.



**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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 the governmental funds and governmental activities.

The Town maintains one individual governmental fund. Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the major governmental fund, the General Fund, to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 through 23 of this report.

**Notes to the Financial Statements**

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 24 through 43 of this report.



## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

### Net Position

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, assets and deferred outflows exceeded liabilities and deferred inflows by \$6,461,122 at the close of this fiscal year.

A large portion of the Town's net position (37.73%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

\$220,454 of the Town's net position represents resources that are subject to external restrictions on how they may be used. \$3,802,717 or 58.86% of net position are unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2023, the Town is able to report positive balances in all categories of net position.

The table below provides a summary of the Town's net position:

### Town of Lookout Mountain, Tennessee's Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Capital assets	\$ 2,437,951	\$ 1,592,015
Other assets	<u>7,653,298</u>	<u>7,925,317</u>
Total assets	<u>\$10,091,249</u>	<u>\$ 9,517,332</u>
Deferred outflows of resources	<u>\$ 1,100,637</u>	<u>\$ 1,323,992</u>
Long-term liabilities	\$ 1,195,920	\$ 520,483
Other liabilities	<u>260,141</u>	<u>272,443</u>
Total liabilities	<u>\$ 1,456,061</u>	<u>\$ 792,926</u>
Deferred inflows of resources	<u>\$ 3,274,703</u>	<u>\$ 3,863,014</u>
Investment in capital assets	\$ 2,437,951	\$ 1,592,015
Restricted	220,454	351,217
Unrestricted	<u>3,802,717</u>	<u>4,242,152</u>
Total net position	<u>\$ 6,461,122</u>	<u>\$ 6,185,384</u>

**Change in Net Position**

Governmental activities increased the Town's net position by \$276,262.

The Town's main revenue sources for 2023 were property tax and local sales tax. These taxes helped to grow the Town's net position since related expenses for this revenue are very low.

The table below provides a summary of the Town's net position.

**Town of Lookout Mountain, Tennessee's Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 267,929	\$ 232,482
Operating grants and contributions	755,494	224,684
Capital grants and contributions	2,982	3,246
General revenues:		
Property taxes	2,920,147	2,710,899
Other taxes	628,574	607,266
Other	<u>257,851</u>	<u>364,038</u>
Total revenues	<u>4,832,977</u>	<u>4,142,615</u>
Expenses:		
General government	569,487	449,665
Public safety	2,103,475	1,798,455
Public works	924,002	835,037
State street aid	219,682	-
Public welfare and recreation	<u>740,069</u>	<u>715,685</u>
Total expenses	<u>4,556,715</u>	<u>3,798,842</u>
Change in net position	276,262	343,773
Net position - beginning (as restated)	<u>6,184,860</u>	<u>5,841,611</u>
Net position - end	<u>\$ 6,461,122</u>	<u>\$ 6,185,384</u>

Net position for governmental activities increased \$276,262 or 4.47%, largely due to the following key factors:

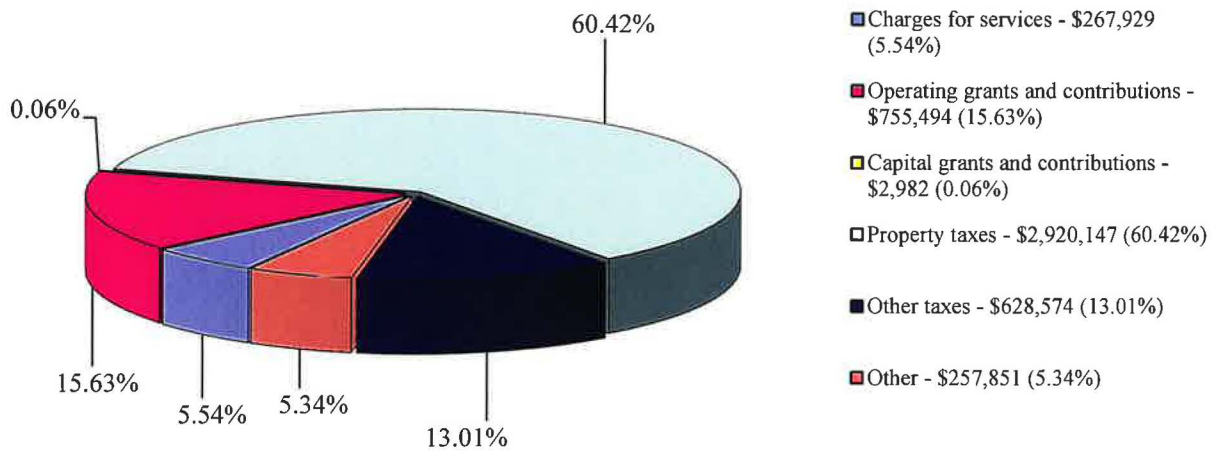
Grant revenues totaled \$459,533.

Contributions totaled \$271,180.

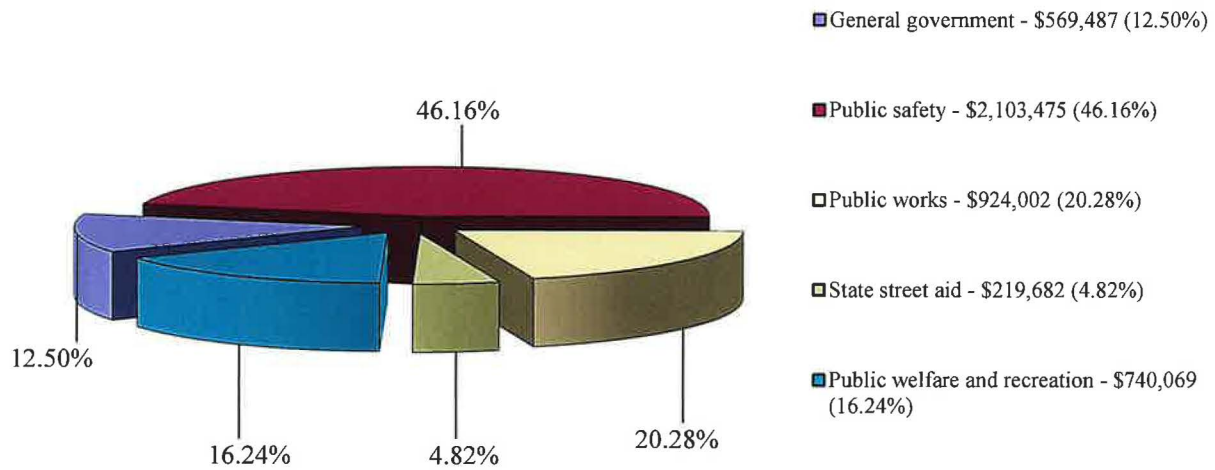
Beginning net position was adjusted \$524 due to the implementation of GASB No. 87, *Leases*.

The graphs below summarize the \$4,832,977 of town-wide revenue by source and the associated \$4,556,715 of expense by program.

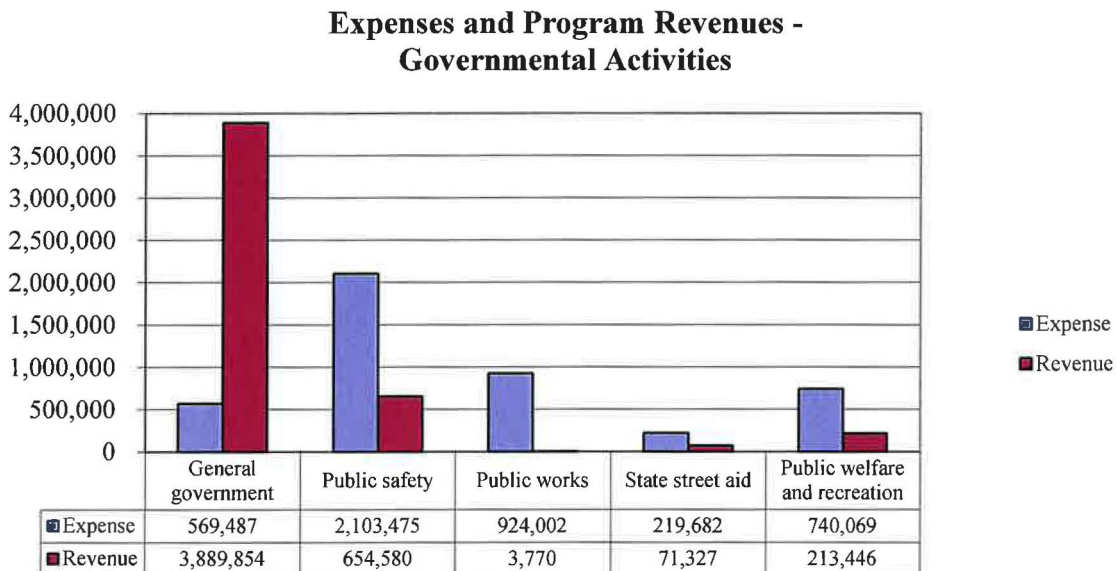
### Town-Wide Sources of Revenue



### Town-Wide Program Expenses



The following graph summarizes the revenue and related expense for each government program of the Town. The difference between expense and revenue is the financial burden placed on the Town for each program.



## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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's governmental fund 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. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$4,060,543. Approximately 93.81% of this total amount, \$3,809,154, constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for spending because it is nonspendable, restricted or assigned. Within the governmental fund, \$195,771 is restricted for state street aid expenditures, \$7,293 is restricted for the beautification of Lookout Mountain, \$15,208 is restricted for playgrounds, parks, beautification projects, bike paths, hiking trails and other projects that increase the beauty of Lookout Mountain and improve the quality of life for its citizens, and \$2,182 is restricted for police equipment. Assigned fund balances are as follows: \$96 for an evidence fund, \$466 for technology and \$41 for drug fund expenditures. Nonspendable fund balance consists of inventory totaling \$24,940 and lease receivables in excess of deferred inflows of leases of \$5,392.

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 \$3,809,154. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 70.79% of total General Fund expenditures.

### **General Fund Budgetary Highlights**

During the year, supplementary appropriations were considered necessary. These amendments resulted in an increase in budgeted expenditures of \$417,500. The details are listed below:

There was a \$220,700 increase in the budget for public safety expenditures.

There was an \$87,300 increase in the budget for public welfare and recreation expenditures.

There was a \$109,500 increase in the budget for capital outlay.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2023, amounts to 2,437,951 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment and vehicles.

Major capital asset events during the current fiscal year include the following:

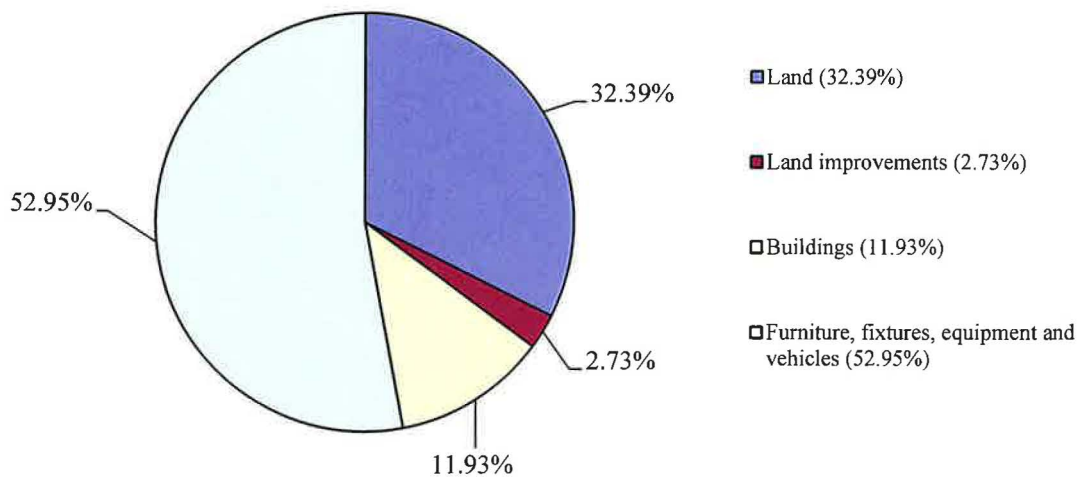
#### **Governmental Activities**

Fire truck	\$ 632,793
Baseball lights	\$ 83,625
Two (2) 2023 Chevy Tahoe's and accessories	\$ 105,969
2022 Dodge Ram	\$ 56,085
SCBA	\$ 49,990

#### **Town of Lookout Mountain, Tennessee's Capital Assets (Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 789,655	\$ 789,655
Land improvements	66,443	73,810
Buildings	290,735	322,567
Furniture, fixtures, equipment & vehicles	1,291,118	405,983
	<u>\$ 2,437,951</u>	<u>\$ 1,592,015</u>

### Town-Wide Capital Assets



Additional information on the Town's capital assets can be found in Note 8 on page 33 of this report.

#### **Town of Lookout Mountain, Tennessee's Outstanding Debt**

At the end of the current fiscal year, the Town had no long-term debt outstanding.

#### **Currently Known Conditions Effecting Future Years**

The Town does not have any upcoming projects for the next fiscal year.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Lookout Mountain, Tennessee's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Town of Lookout Mountain, Tennessee, 710 Scenic Highway, Lookout Mountain, TN 37350.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Statement of Net Position**  
**June 30, 2023**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 4,152,676
Property tax receivable - net	3,243,196
Accounts receivable	19,024
Grant receivable	475
Interest receivable on leases	463
Lease receivable	5,024
Due from other governments	102,850
Inventory	24,940
Total current assets	<u>7,548,648</u>
Non-current assets	
Other assets	
Lease receivable	<u>104,650</u>
Capital assets	
Land	789,655
Other capital assets - net of accumulated depreciation	1,648,296
Total capital assets	<u>2,437,951</u>
Total non-current assets	<u>2,542,601</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,091,249</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>\$ 1,100,637</u>
 <b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 106,569
Payable to pension plan	19,755
Accrued liabilities	54,508
Deferred compensation	79,309
Total current liabilities	<u>260,141</u>
Non-current liabilities	
Net pension liability	<u>1,195,920</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,456,061</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - property taxes	\$ 3,137,801
Deferred inflows related to pensions	32,620
Deferred inflows related to leases	104,282
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>\$ 3,274,703</u></u>
 <b>NET POSITION</b>	
Investment in capital assets	\$ 2,437,951
Restricted for state street aid	195,771
Restricted for beautification	7,293
Restricted for parks/playground	15,208
Restricted for police	2,182
Unrestricted	3,802,717
<b>TOTAL NET POSITION</b>	<u><u>\$ 6,461,122</u></u>

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



**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
<b>Primary Government</b>	<u>Expenses</u>				<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 569,487	\$ 83,282	\$ -	\$ -	\$ (486,205)
Public safety	2,103,475	184,647	466,951	2,982	(1,448,895)
Public works	924,002	-	3,770	-	(920,232)
State street aid	219,682	-	71,327	-	(148,355)
Public welfare and recreation	740,069	-	213,446	-	(526,623)
Total governmental activities	<u>\$ 4,556,715</u>	<u>\$ 267,929</u>	<u>\$ 755,494</u>	<u>\$ 2,982</u>	<u>(3,530,310)</u>
General revenues:					
Property taxes					2,920,147
Ad valorem taxes					4,875
Local sales tax					266,210
Liquor taxes					19,815
Cable TV franchise fee					36,323
Antenna fees					10,679
Other state taxes					290,672
Interest revenue					76,055
Other revenue					181,796
Total general revenue					<u>3,806,572</u>
Change in net position					276,262
Net position - beginning (as restated)					<u>6,184,860</u>
Net position - end					<u>\$ 6,461,122</u>

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash	\$ 4,152,676
Property taxes receivable - net	3,243,196
Accounts receivable	19,024
Grant receivable	475
Interest receivable on leases	463
Lease receivable	109,674
Due from other governments	102,850
Inventory	24,940
<b>TOTAL ASSETS</b>	<u><u>\$ 7,653,298</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 106,569
Payable to pension plan	19,755
Accrued liabilities	54,508
Deferred compensation	79,309
<b>TOTAL LIABILITIES</b>	<u><u>\$ 260,141</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - property taxes	\$ 3,228,332
Deferred inflows related to leases	104,282
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>\$ 3,332,614</u></u>
<b>FUND BALANCES</b>	
Nonspendable	\$ 30,332
Restricted	220,454
Assigned	603
Unassigned	3,809,154
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 4,060,543</u></u>

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2023**

Total fund balances per governmental funds balance sheet	\$ 4,060,543
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,437,951
Some of the Town's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	90,531
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>( 127,903)</u>
Net position of governmental activities	<u>\$ 6,461,122</u>

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2023**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 3,222,186
Licenses and permits	75,902
Intergovernmental revenue	835,702
Fines and forfeitures	184,647
Other revenue	478,677
Total revenues	<u>4,797,114</u>
<b>EXPENDITURES</b>	
Current Expenditures	
General government	544,086
Public safety	2,033,564
Public works	813,148
State street aid	219,682
Public welfare and recreation	784,487
Capital outlay	<u>986,197</u>
Total expenditures	<u>5,381,164</u>
Excess (deficiency) of revenues over (under) expenditures	(584,050)
<b>Fund Balances - beginning (as restated)</b>	<u>4,644,593</u>
<b>Fund Balances - end</b>	<u>\$ 4,060,543</u>

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2023**

Net change in fund balances for total governmental funds	\$ (584,050)
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 expenses. This is the amount by which capital outlay exceeds depreciation in the current period.	845,936
Deferred property revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	35,865
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported in the governmental funds but are not reported in the Statement of Activities.	<u>( 21,489)</u>
Change in net position of governmental activities	<u>\$ 276,262</u>

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 2,905,000	\$ 2,905,000	\$ 2,875,531	\$ (29,469)
Interest and penalties	10,000	10,000	8,753	(1,247)
Ad valorem taxes	30,000	30,000	4,875	(25,125)
Local sales tax	250,000	250,000	266,210	16,210
Liquor taxes	8,000	8,000	19,815	11,815
Cable TV franchise fee	50,000	50,000	36,323	(13,677)
Antenna fees	17,000	17,000	10,679	(6,321)
Total taxes	<u>3,270,000</u>	<u>3,270,000</u>	<u>3,222,186</u>	<u>(47,814)</u>
Licenses and Permits				
Building permits	35,000	35,000	63,507	28,507
Business licenses	-	-	15	15
Alcohol beverage license	-	-	250	250
Auto decals	12,000	12,000	12,130	130
Total licenses and permits	<u>47,000</u>	<u>47,000</u>	<u>75,902</u>	<u>28,902</u>
Intergovernmental Revenue				
State of Tennessee:				
Sales tax	228,438	228,438	245,112	16,674
Minimum business tax	8,500	8,500	8,609	109
Excise tax	-	-	4,799	4,799
TVA in lieu of tax	21,609	21,609	24,744	3,135
Beer tax	967	967	940	(27)
Mixed drink tax	6,500	6,500	1,105	(5,395)
Gasoline and motor fuel tax	74,088	74,088	71,327	(2,761)
City streets and transportation	3,766	3,766	3,770	4
Sports betting	3,087	3,087	4,174	1,087
Telecommunication tax	1,350	1,350	1,189	(161)
State salary supplement	9,600	9,600	10,400	800
Grant revenue	<u>285,000</u>	<u>285,000</u>	<u>459,533</u>	<u>174,533</u>
Total intergovernmental revenue	<u>642,905</u>	<u>642,905</u>	<u>835,702</u>	<u>192,797</u>
Fines and Forfeitures				
Court fines and costs	30,000	30,000	36,127	6,127
Parking meter fines	<u>150,000</u>	<u>150,000</u>	<u>148,520</u>	<u>(1,480)</u>
Total fines and forfeitures	<u>180,000</u>	<u>180,000</u>	<u>184,647</u>	<u>4,647</u>

(Continued)

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES (Continued)</b>				
Other Revenues				
Contributions	\$ 236,000	\$ 236,000	\$ 271,180	\$ 35,180
Interest revenue	10,000	10,000	76,055	66,055
Sale of equipment	-	-	90,726	90,726
Parks and playground	12,000	12,000	6,905	(5,095)
Lease revenue	-	-	7,380	7,380
Lease interest revenue	-	-	5,783	5,783
Other revenues	15,000	15,000	20,648	5,648
Total other revenues	<u>273,000</u>	<u>273,000</u>	<u>478,677</u>	<u>205,677</u>
 Total revenues	 <u>4,412,905</u>	 <u>4,412,905</u>	 <u>4,797,114</u>	 <u>384,209</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
General Government				
Salaries	159,250	159,250	163,961	(4,711)
Payroll taxes	12,183	12,183	11,882	301
Retirement	18,330	18,330	18,801	(471)
Health and life insurance	40,090	40,090	47,587	(7,497)
Bank service charges	10,000	10,000	11,640	(1,640)
Consulting services	42,000	42,000	48,496	(6,496)
Court and judge	20,000	20,000	20,286	(286)
Dues and subscriptions	2,000	2,000	1,494	506
Elections	2,000	2,000	4,476	(2,476)
Insurance	115,000	115,000	108,542	6,458
Miscellaneous	3,000	3,000	10,800	(7,800)
Office supplies	6,000	6,000	8,128	(2,128)
Postage	200	200	1,200	(1,000)
Professional services	75,000	75,000	59,972	15,028
Repairs and maintenance	33,500	33,500	18,589	14,911
Training and travel	5,000	5,000	1,484	3,516
Utilities	600	600	604	(4)
Website	2,500	2,500	6,144	(3,644)
Total general government	<u>546,653</u>	<u>546,653</u>	<u>544,086</u>	<u>2,567</u>

(Continued)

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Public Safety				
Fire and police				
Salaries	\$ 928,944	\$ 1,065,044	\$ 1,063,450	\$ 1,594
Payroll tax	71,064	71,064	80,540	(9,476)
Retirement	139,434	160,834	160,754	80
Health and life insurance	176,428	206,728	191,975	14,753
Building inspections	10,000	10,000	18,194	(8,194)
Clothing allowance	25,000	25,000	24,410	590
Criminal investigation	30,000	30,000	20,625	9,375
Drug fund	-	-	218	(218)
Dues and subscriptions	250	250	-	250
Gasoline and diesel fuel	25,000	25,000	26,978	(1,978)
Insurance	-	-	1,341	(1,341)
Medical services	2,000	2,000	4,435	(2,435)
Miscellaneous	2,000	2,000	635	1,365
Parking meters	25,000	25,000	3,210	21,790
Repairs and maintenance	35,000	35,000	39,040	(4,040)
Supplies	35,000	67,900	67,892	8
Training and travel	35,000	35,000	37,079	(2,079)
Utilities	35,000	35,000	35,552	(552)
Total fire and police	<u>1,575,120</u>	<u>1,795,820</u>	<u>1,776,328</u>	<u>19,492</u>
Dispatch				
Salaries	199,697	199,697	184,157	15,540
Payroll tax	15,277	15,277	13,843	1,434
Retirement	22,985	22,985	20,716	2,269
Health and life insurance	23,255	23,255	27,931	(4,676)
Clothing allowance	5,000	5,000	1,260	3,740
Computer support	5,000	5,000	5,328	(328)
Insurance	-	-	273	(273)
Supplies	1,400	1,400	633	767
Training and travel	3,000	3,000	3,095	(95)
Total dispatch	<u>275,614</u>	<u>275,614</u>	<u>257,236</u>	<u>18,378</u>
Total public safety	<u>1,850,734</u>	<u>2,071,434</u>	<u>2,033,564</u>	<u>37,870</u>

(Continued)

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



**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Public Works				
Roads and streets				
Salaries	\$ 480,932	\$ 480,932	\$ 448,474	\$ 32,458
Payroll taxes	36,791	36,791	32,901	3,890
Retirement	55,355	55,355	52,074	3,281
Health and life insurance	107,326	107,326	105,026	2,300
Clothing allowance	-	-	191	(191)
Gasoline and diesel fuel	35,000	35,000	32,413	2,587
Insurance	-	-	608	(608)
Medical services	700	700	315	385
Miscellaneous	500	500	-	500
Repairs and maintenance	23,000	23,000	27,386	(4,386)
Street lights	12,000	12,000	13,581	(1,581)
Supplies	33,000	33,000	36,261	(3,261)
Utilities	14,000	14,000	11,683	2,317
Total roads and streets	<u>798,604</u>	<u>798,604</u>	<u>760,913</u>	<u>37,691</u>
Solid waste				
Sanitation	<u>50,000</u>	<u>50,000</u>	<u>52,235</u>	<u>(2,235)</u>
Total public works	<u>848,604</u>	<u>848,604</u>	<u>813,148</u>	<u>35,456</u>
State Street Aid				
Paving	<u>330,000</u>	<u>330,000</u>	<u>219,682</u>	<u>110,318</u>
Public Welfare and Recreation				
Parks and Playgrounds				
Salaries	113,397	113,397	115,546	(2,149)
Payroll taxes	8,675	8,675	8,835	(160)
Retirement	12,131	12,131	11,912	219
Health and life insurance	24,365	24,365	15,185	9,180
Gasoline and diesel fuel	600	600	556	44
Insurance	-	-	122	(122)
Programs and projects	13,500	13,500	-	13,500
Repairs and maintenance	25,000	105,300	108,595	(3,295)
Utilities	14,000	14,000	9,426	4,574
Total parks and playgrounds	<u>211,668</u>	<u>291,968</u>	<u>270,177</u>	<u>21,791</u>

(Continued)

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Public Welfare and Recreation (Continued)				
Education				
Salaries	\$ 501,000	\$ 508,000	\$ 507,949	\$ 51
County school tax	3,250	3,250	1,039	2,211
Professional fees	5,000	5,000	5,000	-
Utilities	400	400	322	78
Total education	<u>509,650</u>	<u>516,650</u>	<u>514,310</u>	<u>2,340</u>
Total public welfare and recreation	<u>721,318</u>	<u>808,618</u>	<u>784,487</u>	<u>24,131</u>
<b>Capital Outlay</b>				
Public safety	793,500	903,000	902,787	213
Public works	<u>52,000</u>	<u>52,000</u>	<u>83,410</u>	<u>(31,410)</u>
Total capital outlay	<u>845,500</u>	<u>955,000</u>	<u>986,197</u>	<u>(31,197)</u>
Total expenditures	<u>5,142,809</u>	<u>5,560,309</u>	<u>5,381,164</u>	<u>179,145</u>
Excess (deficiency) of revenues over (under) expenditures	(729,904)	(1,147,404)	(584,050)	563,354
<b>Fund Balances - beginning (as restated)</b>	<u>4,644,593</u>	<u>4,644,593</u>	<u>4,644,593</u>	<u>-</u>
<b>Fund Balances - end</b>	<u>\$ 3,914,689</u>	<u>\$ 3,497,189</u>	<u>\$ 4,060,543</u>	<u>\$ 563,354</u>

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

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Lookout Mountain, Tennessee operates under a Mayor and Board of Commissioners within the following departments: general government, public safety, public works, state street aid, and public welfare and recreation.

The financial statements of the Town of Lookout Mountain, Tennessee have been prepared in conformity with *Generally Accepted Accounting Principles* (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the Town of Lookout Mountain, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities, which meet the above criteria for inclusion in the Town of Lookout Mountain, Tennessee's financial statements.

**B. Basic Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. The Town of Lookout Mountain, Tennessee has only governmental activities.

**Government-wide statements**

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

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

### **B. Basic Financial Statements (Continued)**

#### **Government-wide statements (Continued)**

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Certain indirect costs are included in program expenses reported for individual functions. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the Town as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period. Fiduciary funds are not included in the government-wide financial statements.

#### **Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Town does not have enterprise funds or non-major funds.

The Town reports the following major governmental fund:

#### **General Fund**

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

### **C. Measurement Focus - Basis of Accounting**

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

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

### **C. Measurement Focus - Basis of Accounting (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, mixed drink taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted as needed.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### **D. Budgetary Data**

The proposed annual budget is presented by the Mayor and Board of Commissioners for public hearings and is adopted by ordinance. Any changes in the budget must be within the revenues estimated as available by the Town or the estimates must be changed by an affirmative vote of the majority of the Board.

Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions that alter total expenditures must be approved by the Board.

Budgets as adopted and amended are on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. An annual appropriated budget is adopted for the General Fund. All annual appropriations which are not expended lapse at fiscal year-end.

Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted or as amended by the Board.

During the year, supplementary appropriations were deemed necessary. These amendments netted to \$(417,500). The Town amended its General Fund budget to increase public safety expenditures by \$220,700, increase public welfare and recreation expenditures by \$87,300, and increase capital outlay expenditures by \$109,500.

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

### **E. Cash and Cash Equivalents**

Cash consists of cash-on-hand and cash-on-deposit with financial institutions. For purposes of reporting cash in the Statement of Net Position, the Town considers all unrestricted highly liquid investments with an initial maturity of three months or less to cash equivalents. At June 30, 2023, the Town had no cash equivalents.

### **F. Investments**

All investments are reported at fair value, which is based on quoted market prices. The Town is authorized by State Statutes to investment in the following:

Bonds, notes, or treasury bills of the United States.

Nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, the Federal Farm Credit Bank and Student Loan Marketing Association.

Any obligation guaranteed by the United States or any of its agencies.

Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

The Local Government Investment Pool created by Title 9.

### **G. Property Taxes**

Property taxes are secured by a statutory lien effective as of the original levy date of January 1<sup>st</sup> on property values assessed by the county for that calendar year. The billings are mailed October 1<sup>st</sup> and are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending approximately 60 days after the calendar year end. On this date, March 1<sup>st</sup>, the bill becomes delinquent and penalties and interest may be assessed.

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2022 levy is \$2.02 per \$100 of assessed valuation, and the tax rate for the 2023 levy is \$2.15 per \$100 of assessed valuation.

Property taxes for the 2023 levy are considered to be owed to the Town as of the lien date on January 1, 2023. Therefore, the entire 2023 levy was recorded as a receivable and deferred revenue as of June 30, 2023.

### **H. Lease Receivable**

The Town's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

### **I. Interfund Transactions**

#### **Interfund Receivables and Payables**

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due from other funds or due to other funds in the fund financial statements and are subject to elimination upon consolidation. There are no interfund receivables and payables at June 30, 2023.

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

### **I. Interfund Transactions (Continued)**

#### **Transactions between Funds**

Transactions between funds that would be treated as revenues, or expenditures, if they involved organizations external to the governmental unit, are accounted for as revenues or expenditures in the funds involved. Transactions, which constitute reimbursements of a fund for expenditures initially made from that fund which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of the expenditures in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included in the results of operations of the governmental funds. There are no transactions between funds at June 30, 2023.

### **J. Prepayment of Expenditures**

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but are accounted for as expenditures of the period of acquisition.

### **K. Inventories**

Inventories are valued at cost, using the first-in, first-out (FIFO method). The cost of an inventory item is recorded as an expense at the time of use.

### **L. Restricted Assets**

Certain resources can be classified as restricted assets on the Statement of Net Position because their use is limited. At year-end, there were no restricted assets to be reported.

### **M. Subscription IT Arrangements**

The Town follows GASB No. 96, *Subscription-Based Information Technology Arrangements*, (SBITA), to address the accounting treatment and financial reporting for these agreements. The SBITA asset is measured as the initial value of the subscription liability plus payments made to the vendor at the commencement of the subscription term, plus capitalizable initial implementation costs, and less any vendor incentives received at the commencement of the subscription term. The Town will amortize the SBITA asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset. Currently, the Town does not have any subscription IT arrangements.

### **N. Leases**

The Town follows GASB No. 87, *Leases*, to address the accounting treatment and financial reporting of leases. Leases that are not classified as short-term leases or contracts that transfer ownership are required to recognize a right to use asset and a related lease liability. Right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use leased assets are amortized on a straight-line basis over the life of the related lease. Currently, the Town is not a lessee in any lease.



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

### O. Capital Assets

Capital assets, which include property, plant and equipment and sidewalks, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Land improvements	5-25
Buildings	5-40
Furniture, fixtures, equipment and vehicles	5-20

### P. 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. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

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. Currently, the City has three types of items that qualify for reporting in this category: deferred revenue - property taxes, deferred inflows related to pensions, and deferred inflows related to leases.

### Q. Compensated Absences

Policies regarding employee vacation and sick leave benefits do not meet the criteria which would require accrual of a liability for future benefits.

### R. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. The Town does not have any unused lines of credit.

### S. Pensions

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



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

### **T. Net Position**

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

### **U. Fund Balance**

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

**Nonspendable:** The Town cannot spend these amounts due to form.

**Restricted:** The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

**Committed:** The Board of Commissioners has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

**Assigned:** The Board of Commissioners has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

**Unassigned:** Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned funds are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

### **V. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **W. Events Occurring After Reporting Date**

The Town has evaluated events and transactions that occurred between June 30, 2023 and October 25, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Deposits

Custodial credit risk is the risk that in the event of a bank failure the Town's deposits may not be returned to it. The Town does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2023, the carrying amount of the Town's deposits was \$4,152,676, and the bank balance was \$4,168,105. None of the Town's bank balance was exposed to credit risk as uninsured or uncollateralized.

The carrying amount of the Town's deposits is classified as follows on the Statement of Net Position:

Cash	<u>\$ 4,152,676</u>
------	---------------------

### Investments

At year-end, the Town did not have any investments.

## NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes were levied for 2022 at the rate of \$2.02 per \$100 of assessed value and for 2023 at the rate of \$2.15 per \$100 of assessed value. Property taxes receivable as of June 30, 2023, including prior years unpaid taxes are composed of the following:

<u>Year of Levy</u>	
2023	\$ 3,137,801
2022	118,383
2021	63,752
2020	3,445
2019	13,869
2018	1,661
2017	662
2016	4,465
2015	1,902
2014	<u>1,471</u>
	3,347,411
Less: allowance for uncollectibles	<u>( 104,215)</u>
Property taxes receivable-- net	<u>\$ 3,243,196</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liability of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

#### NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consists of the following:

Lookout Mountain, Georgia	\$ 9,920
Liquor tax	1,856
Other	<u>7,248</u>
Total accounts receivable	<u>\$ 19,024</u>

Due to the collection history of the Town, no allowance for bad debt was deemed necessary.

#### NOTE 5 - GRANT RECEIVABLE

Grant receivable as of June 30, 2023, consists of \$475 from the Department of Transportation.

#### NOTE 6 - LEASE RECEIVABLE

The Town has entered into two leases with limited liability companies for the right to use non-exclusive easements. Both leases can be terminated at any time with a 90 day written notice and a 12 month buyout. Each lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.25%.

Under the first lease, the company pays the Town \$232.91 per month until October 2025, \$256.22 per month from November 2025 through October 2030, and \$281.94 per month from November 2030 through October 2035. During the current year, the Town recognized \$2,149 of lease revenue and \$1,512 of interest revenue under the lease.

Under the second lease, the company pays the Town \$636.54 per month until January 2023, \$655.63 per month from February 2023 through January 2028, and \$675.30 per month from February 2028 through January 2038. During the current year, the Town recognized \$5,231 of lease revenue and \$4,271 of interest revenue under the lease.

The lease receivable is shown on the Statement of Net Position as follows:

Lease receivable - current asset	\$ 5,024
Lease receivable - non-current asset	<u>104,650</u>
Total	<u>\$ 109,674</u>

## NOTE 7 - DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2023, consists of the following:

County sales tax revenue	\$ 43,251
Gas and motor fuel tax revenue	12,224
Streets and transportation revenue	628
Sports betting tax revenue	818
State sales tax revenue	43,544
Business tax revenue	1,935
Mixed drink tax revenue	258
Telecommunication tax revenue	<u>192</u>
Total	<u>\$ 102,850</u>

## NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 789,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 789,655</u>
Capital assets being depreciated:				
Land improvements	217,964	-	-	217,964
Buildings	1,340,896	-	-	1,340,896
Furniture, fixtures, equipment and vehicles	<u>2,610,919</u>	<u>1,078,987</u>	<u>( 86,423)</u>	<u>3,603,483</u>
Total capital assets being depreciated	<u>4,169,779</u>	<u>1,078,987</u>	<u>( 86,423)</u>	<u>5,162,343</u>
Less accumulated depreciation for:				
Land improvements	144,154	7,367	-	151,521
Buildings	1,018,329	31,832	-	1,050,161
Furniture, fixtures, equipment and vehicles	<u>2,204,936</u>	<u>193,852</u>	<u>( 86,423)</u>	<u>2,312,365</u>
Total accumulated depreciation	<u>3,367,419</u>	<u>233,051</u>	<u>( 86,423)</u>	<u>3,514,047</u>
Total capital assets being depreciated - net	<u>802,360</u>	<u>845,936</u>	<u>-</u>	<u>1,648,296</u>
Governmental activities capital assets - net	<u>\$ 1,592,015</u>	<u>\$ 845,936</u>	<u>\$ -</u>	<u>\$ 2,437,951</u>

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

General government	\$ 30,316
Public safety	103,619
Public works	44,330
Public welfare and recreation	<u>54,786</u>
Total	<u>\$ 233,051</u>

## NOTE 9 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2023, consists of the following:

Beginning balance - as restated (see footnote 17)	\$ 1,406,716
Differences between projected and actual investment earnings	817,694
Net investment income	( 695,476)
Amortization of deferrals	( 444,247)
Prior year employer contributions	( 258,471)
Current year employer contributions	<u>274,421</u>
Total	<u>\$ 1,100,637</u>

## NOTE 10 - NET PENSION LIABILITY

Net pension liability at June 30, 2023, consists of the following:

Beginning balance	\$ 520,483
Service cost	172,548
Interest expense	557,625
Differences between expected and actual experience	( 22,938)
Employer contributions	( 240,287)
Employee contributions	( 90,501)
Net investment income	295,792
Plan administrative expenses	<u>3,198</u>
Total	<u>\$ 1,195,920</u>

## NOTE 11 - DEFERRED REVENUE - PROPERTY TAXES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 90,531</u>	<u>\$ 3,137,801</u>	<u>\$ 3,228,332</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

## NOTE 12 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2023, consists of the following:

Beginning balance - as restated (see footnote 17)	\$ 992,647
Differences between expected and actual experience	22,938
Amortization of deferrals	( 287,489)
Net investment earnings	<u>( 695,476)</u>
Total	<u>\$ 32,620</u>

## NOTE 13 - DEFERRED INFLOWS RELATED TO LEASES

The Town is the lessor in two lease agreements. The deferred inflows of resources are recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on a straight-line basis over the terms of the leases. As of June 30, deferred inflows of resources of \$104,282 are recorded for the leases. The details of the leases are disclosed in footnote 6.

## NOTE 14 - NET POSITION RESTRICTIONS

The Town records restrictions of net position which are maintained for specific purposes. The nature and purpose of the restrictions are explained as follows:

\$195,771 of state street aid funds are being accumulated and restricted for future road paving projects.

\$7,293 is restricted for the beautification of Lookout Mountain.

\$15,208 is restricted for playgrounds, parks, beautification projects, bike paths, hiking trails and other projects that increase the beauty of Lookout Mountain and improve the quality of life for its citizens.

\$2,182 is restricted for the purchase of police equipment.

## NOTE 15 - FUND BALANCES

Fund balances are as follows:

Nonspendable: \$24,940 is nonspendable inventory. \$5,392 is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Restricted: \$195,771 of state street aid funds are restricted for paving expenditures. \$7,293 is restricted for the beautification of Lookout Mountain. \$15,208 is restricted for playgrounds, parks, beautification projects, bike paths, hiking trails and other projects that increase the beauty of Lookout Mountain and improve the quality of life for its citizens. \$2,182 is restricted for the purchase of police equipment.

Assigned: \$96 is assigned for an evidence fund, \$466 is assigned for technology, \$41 is assigned for drug fund expenditures, for a total of \$603.

**NOTE 15 - FUND BALANCES (Continued)**

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

**NOTE 16 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the governmental-wide Statement of Net Position. One element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(127,903) difference are as follows:

Deferred outflows related to pensions	\$ 1,100,637
Net pension liability	(1,195,920)
Deferred inflows related to pensions	<u>( 32,620)</u>
Net adjustment	<u>\$ ( 127,903)</u>

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "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 expenses". The detail of this \$845,936 difference is as follows:

Depreciation expense	\$ ( 233,051)
Capital outlay	<u>1,078,987</u>
Net adjustment	<u>\$ 845,936</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$(21,489) difference are as follows:

Prepaid estimate verses actual	\$ ( 18,184)
Pension expense	( 277,726)
Contributions	<u>274,421</u>
Net adjustment	<u>\$ ( 21,489)</u>

#### **NOTE 17 - PRIOR PERIOD ADJUSTMENTS**

TCRS made a change to the pension actuarial report after the Town's June 30, 2022 audit report was completed. This change affected the following items on the Statement of Net Position:

Prior year ending deferred outflows related to pensions	\$ 1,323,992
Pension adjustment	<u>82,724</u>
Beginning deferred outflows related to pensions as restated	<u>\$ 1,406,716</u>
Prior year ending deferred inflows related to pensions	\$ 909,923
Pension adjustment	<u>82,724</u>
Beginning deferred inflows related to pensions as restated	<u>\$ 992,647</u>

The implementation of GASB No. 87, *Leases*, affected the following balances:

General Fund prior year ending fund balance	\$4,645,117
Cumulative effect of lease adjustments	<u>( 524)</u>
Beginning General Fund - fund balance as restated	<u>\$4,644,593</u>
Governmental activities prior year ending net position	\$6,185,384
Cumulative effect of lease adjustments	<u>( 524)</u>
Beginning governmental activities net position as restated	<u>\$6,184,860</u>

#### **NOTE 18 - MATERIAL COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

The Town has no material violations of finance related legal and contractual provisions.

#### **NOTE 19 - LITIGATION AND CLAIMS**

Town management is not aware of any litigation or claims that would be material to the Town's financial statements.

#### **NOTE 20 - RELATED PARTIES**

A Commissioner owns a building material company. A citizen of the Town used this company to provide a service for their personal residence. The Town reimbursed the citizen for this expense. The total reimbursed by the Town to the citizen for work provided by the Commissioner's company was \$911.

#### **NOTE 21 - COMMERCIAL INSURANCE**

It is the policy of the Town to purchase commercial insurance for various risks of losses to which it is exposed. These risks include general liability, property, casualty, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



## NOTE 22 - RISK MANAGEMENT POOL

The Town is exposed to various risks of loss related to torts, errors and omissions, damages to assets, and injuries to employees. The Town has joined the Public Entity Partners Risk Management Pool (Pool). The membership allows the Town to share liability, motor vehicle, and employee injury risks.

The Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training and legal counsel supplements experienced claims processing for member cities.

Coverages are as follows:

Property	\$ 4,513,777	
Workers compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per employee
Liability	\$ 5,000,000	each other loss - per occurrence

The responsibilities of the Town are as follows:

To pay all contributions or other sums due to the Pool at such times and in such amounts as shall be established by the Pool.

To allow the Pool and its agents access to facilities of the Town and all records, including but not limited to financial records, which relate to the purposes of the Pool during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by the Pool to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the Pool.

To assist and cooperate in the defense and settlement of claims against the Town.

To furnish full cooperation to the Pool's attorneys, claims adjusters, and any agent, employee, officer or independent contractor of the Pool relating to the purposes of the Pool.

To follow all loss reduction and prevention procedures established by the Pool where possible.

To furnish to the Pool such operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any conditions issued, all incidents which could result in the Pool being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the Town participates.

To allow the Pool to inspect and appraise any damaged property before its repair or disposition.

The Town must cooperate with the pool in any dispute resolutions with other insurance companies.

## **NOTE 22 - RISK MANAGEMENT POOL (Continued)**

The responsibilities of the Pool are as follows:

The Pool will defend any suit against the Town or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

The Pool's duty to pay on behalf of or to indemnify a covered party other than the Town does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

The Town has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The Town is not aware of any claims, which the Town is liable for (up to the applicable deductible), which were outstanding and unpaid at June 30, 2023. No provisions have been made in the financial statements for the year ended June 30, 2023, for any estimate of potential unpaid claims.

## **NOTE 23 - PENSION PLAN**

### **General Information about the Pension Plan**

#### **Plan description**

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

#### **Benefits provided**

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

## **NOTE 23 - PENSION PLAN (Continued)**

### **General Information about the Pension Plan** (Continued)

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

#### **Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>34</u>
Total employees	<u>80</u>

#### **Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Lookout Mountain 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, the employer contributions for Lookout Mountain were \$274,421 based on a rate of 13.42 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lookout Mountain's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Net Pension Liability (Asset)**

#### **Pension liabilities (assets)**

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

#### **Actuarial assumptions**

The total pension liability as of the 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.

**NOTE 23 - PENSION PLAN (Continued)****Net Pension Liability (Asset) (Continued)**

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. 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%	1%
		<u>100%</u>

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

**NOTE 23 - PENSION PLAN (Continued)****Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/21	\$ 8,311,753	\$ 7,791,270	\$ 520,483
Changes for the year:			
Service cost	172,548	-	172,548
Interest	557,625	-	557,625
Changes of benefit terms	-	-	-
Differences between expected and actual experience	( 22,938)	-	( 22,938)
Changes in assumptions	-	-	-
Contributions - employer	-	240,287	( 240,287)
Contributions - employees	-	90,501	( 90,501)
Net investment income	-	( 295,792)	295,792
Benefit payments, including refunds of employee contributions	( 446,369)	( 446,369)	-
Administrative expense	-	( 3,198)	3,198
Other changes	-	-	-
Net changes	<u>260,866</u>	<u>( 414,571)</u>	<u>675,437</u>
Balance at 6/30/22	\$ 8,572,619	\$ 7,376,699	\$ 1,195,920

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

The following presents the net pension liability (asset) of Lookout Mountain 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%)
Lookout Mountain's net pension liability (asset)	\$ 2,325,893	\$ 1,195,920	\$ 259,568

**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, Lookout Mountain recognized pension expense (negative pension expense) of \$277,726.

**NOTE 23 - PENSION PLAN (Continued)****Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)****Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2023, Lookout Mountain reported deferred outflows of 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	\$ 453,910	\$ 32,620
Net difference between projected and actual earnings on pension plan investments	13,828	-
Changes in assumptions	358,478	-
Contributions subsequent to the measurement date of June 30, 2022	<u>274,421</u>	<u>(not applicable)</u>
Total	<u>\$ 1,100,637</u>	<u>\$ 32,620</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 pension liability (asset) in the following measurement period.

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

**Year Ended June 30:**

2024	\$ 193,606
2025	\$ 189,440
2026	\$ 158,311
2027	\$ 256,070
2028	\$ ( 3,823)
Thereafter	\$ -

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

**Payable to the Pension Plan**

At June 30, 2023, Lookout Mountain reported a payable of \$19,755 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**June 30, 2023**

**Last Fiscal Year Ending June 30**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Total pension liability</u>									
Service cost	\$ 97,506	\$ 102,498	\$ 103,421	\$ 108,658	\$ 114,118	\$ 130,046	\$ 131,840	\$ 140,543	\$ 172,548
Interest	332,734	346,912	359,418	374,789	395,510	417,210	479,375	536,102	557,625
Changes in benefit terms	-	-	-	-	-	-	288,749	-	-
Differences between actual and expected experience	(79,097)	(135,179)	(108,019)	9,058	24,876	647,909	244,575	68,321	(22,938)
Change of assumptions	-	-	-	130,270	-	-	-	509,802	-
Benefit payments, including refunds of employee contributions	(178,203)	(155,985)	(140,829)	(169,397)	(170,835)	(331,390)	(347,637)	(393,968)	(446,369)
Net change in total pension liability	172,940	158,246	213,991	453,378	363,669	863,775	796,902	860,800	260,866
Total pension liability - beginning	4,428,052	4,600,992	4,759,238	4,973,229	5,426,607	5,790,276	6,654,051	7,450,953	8,311,753
Total pension liability - ending (a)	<u>\$ 4,600,992</u>	<u>\$ 4,759,238</u>	<u>\$ 4,973,229</u>	<u>\$ 5,426,607</u>	<u>\$ 5,790,276</u>	<u>\$ 6,654,051</u>	<u>\$ 7,450,953</u>	<u>\$ 8,311,753</u>	<u>\$ 8,572,619</u>
<u>Plan fiduciary net position</u>									
Contributions - employer	\$ 104,569	\$ 107,467	\$ 111,378	\$ 117,479	\$ 122,180	\$ 125,768	\$ 176,050	\$ 217,321	\$ 240,287
Contributions - employee	68,978	69,886	71,850	76,783	79,982	82,260	85,444	88,796	90,501
Net investment income	629,660	136,423	121,900	538,111	440,929	424,713	298,644	1,607,051	(295,792)
Benefit payments, including refunds of employee contributions	(178,203)	(155,985)	(140,829)	(169,397)	(170,835)	(331,390)	(347,637)	(393,968)	(446,369)
Administrative expense	(1,323)	(1,583)	(2,465)	(2,688)	(3,064)	(2,964)	(2,926)	(2,980)	(3,198)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	623,681	156,208	161,834	560,288	469,192	298,387	209,575	1,516,220	(414,571)
Plan fiduciary net position - beginning	3,795,885	4,419,566	4,575,774	4,737,608	5,297,896	5,767,088	6,065,475	6,275,050	7,791,270
Plan fiduciary net position - ending (b)	<u>\$ 4,419,566</u>	<u>\$ 4,575,774</u>	<u>\$ 4,737,608</u>	<u>\$ 5,297,896</u>	<u>\$ 5,767,088</u>	<u>\$ 6,065,475</u>	<u>\$ 6,275,050</u>	<u>\$ 7,791,270</u>	<u>\$ 7,376,699</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 181,426</u>	<u>\$ 183,464</u>	<u>\$ 235,621</u>	<u>\$ 128,711</u>	<u>\$ 23,188</u>	<u>\$ 588,576</u>	<u>\$ 1,175,903</u>	<u>\$ 520,483</u>	<u>\$ 1,195,920</u>
Plan fiduciary net position as a percentage of total pension liability	96.06%	96.15%	95.26%	97.63%	99.60%	91.15%	84.22%	93.74%	86.05%
Covered payroll	\$ 1,379,564	\$ 1,404,803	\$ 1,448,446	\$ 1,535,667	\$ 1,597,118	\$ 1,644,030	\$ 1,708,865	\$ 1,775,498	\$ 1,808,257
Net pension liability (asset) as a percentage of covered payroll	13.15%	13.06%	16.27%	8.38%	1.45%	35.80%	68.81%	29.31%	66.14%

Notes to Schedule:

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

GASB 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.



**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2023**

**Last Fiscal Year Ending June 30**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Actuarially determined contribution	\$ 104,569	\$ 107,467	\$ 111,378	\$ 117,479	\$ 122,180	\$ 125,768	\$ 176,050	\$ 217,321	\$ 240,287	\$ 274,421
Contributions in relation to the actuarially determined contributions	<u>104,569</u>	<u>107,467</u>	<u>111,378</u>	<u>117,479</u>	<u>122,180</u>	<u>125,768</u>	<u>176,050</u>	<u>217,321</u>	<u>240,287</u>	<u>274,421</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 1,379,564	\$ 1,404,803	\$ 1,448,446	\$ 1,535,667	\$ 1,597,118	\$ 1,644,030	\$ 1,708,865	\$ 1,775,498	\$ 1,808,257	\$ 2,049,247
Contributions as a percentage of covered payroll	7.58%	7.65%	7.69%	7.65%	7.65%	7.65%	10.30%	12.24%	13.29%	13.42%

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.

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>State Grant/Program Number</b>	<b>(Receivable) Deferred June 30, 2022</b>	<b>Grant/Loan Receipts</b>	<b>Grant/Loan Expenditures</b>	<b>(Receivable) Deferred June 30, 2023</b>
<b>Federal</b>						
Department of Transportation						
High Visibility Enforcement	20.607	Z22THS168	\$ (629)	\$ 1,277	\$ 648	\$ -
High Visibility Enforcement	20.607	Z23THS159	-	1,859	2,334	(475)
Total Department of Transportation			(629)	3,136	2,982	(475)
U.S. Department of Finance and Administration						
ARPA NEU Distribution	93.498	-	176,305	280,246	456,551	-
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 175,676</b>	<b>\$ 283,382</b>	<b>\$ 459,533</b>	<b>\$ (475)</b>

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Lookout Mountain, Tennessee and is presented on the modified accrual basis of accounting.

**NOTE 2 - INDIRECT COST RATE**

The Town of Lookout Mountain, Tennessee has not elected to use the 10-percent de minimis indirect cost rate or to allocate any indirect cost.

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Property Taxes Receivable**  
**General Fund**  
**June 30, 2023**

<u>Year of Levy</u>	
2023	\$ 3,137,801
2022	118,383
2021	63,752
2020	3,445
2019	13,869
2018	1,661
2017	662
2016	4,465
2015	1,902
2014	<u>1,471</u>
Total property taxes receivable	3,347,411
Less: allowance for uncollectibles	<u>( 104,215)</u>
Net property taxes receivable	<u>\$ 3,243,196</u>

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Changes in Property Taxes Receivable**  
**General Fund**  
**Year Ended June 30, 2023**

<u>Year of Levy</u>	<u>Taxes Receivable July 1, 2022</u>	<u>Taxes Levied</u>	<u>Pickups</u>	<u>Collections</u>	<u>Error/ Releases</u>	<u>Taxes Receivable June 30, 2023</u>
2023	\$ -	\$ 3,137,801	\$ -	\$ -	\$ -	\$ 3,137,801
2022	2,953,091	-	14,104	( 2,843,795)	( 5,017)	118,383
2021	72,594	-	-	( 8,842)	-	63,752
2020	27,724	-	-	( 24,279)	-	3,445
2019	13,869	-	-	-	-	13,869
2018	1,661	-	-	-	-	1,661
2017	662	-	-	-	-	662
2016	4,465	-	-	-	-	4,465
2015	1,902	-	-	-	-	1,902
2014	1,471	-	-	-	-	1,471
2013	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,148)</u>	<u>-</u>
Total	<u>\$ 3,078,587</u>	<u>\$ 3,137,801</u>	<u>\$ 14,104</u>	<u>\$( 2,876,916)</u>	<u>\$( 6,165)</u>	<u>\$ 3,347,411</u>

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Tax Rates and Assessed Valuation Applicable to Last Ten Years and**  
**Uncollected Delinquent Accounts**  
**June 30, 2023**

<u>Year of Levy</u>	<u>Tax Rate Per \$100</u>	<u>Assessed Valuation</u>	<u>Levy</u>
2023	\$ 2.15/\$100	\$ 145,944,233	\$ 3,137,801
2022	\$ 2.02/\$100	\$ 145,944,248	\$ 2,948,074
2021	\$ 1.88/\$100	\$ 142,980,246	\$ 2,688,029
2020	\$ 2.09/\$100	\$ 124,171,492	\$ 2,595,184
2019	\$ 1.99/\$100	\$ 123,762,140	\$ 2,462,867
2018	\$ 1.89/\$100	\$ 122,522,604	\$ 2,315,677
2017	\$ 1.83/\$100	\$ 121,013,119	\$ 2,214,540
2016	\$ 1.83/\$100	\$ 112,577,846	\$ 2,060,175
2015	\$ 1.743/\$100	\$ 112,219,167	\$ 1,955,980
2014	\$ 1.66/\$100	\$ 112,030,551	\$ 1,859,707

**UNCOLLECTED DELINQUENT ACCOUNTS**

The Town of Lookout Mountain has filed all delinquent taxes with the Hamilton County Trustee for collection as of June 30, 2023. Delinquent taxes filed for collection by years are as follows:

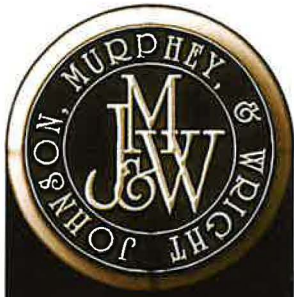
<u>Year of Levy</u>	<u>Delinquent Taxes Filed</u>
2022	\$ 118,383
2021	63,752
2020	3,445
2019	13,869
2018	1,661
2017	662
2016	4,465
2015	1,902
2014	1,471
	<u>\$ 209,610</u>

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Insurance**  
**June 30, 2023**

	<u>Expiration</u>	<u>Amount</u>
<b>Public Entity Partners Risk Management Pool:</b>		
Property	09/19/23	\$ 4,513,777
Workers compensation	09/19/23	\$ 300,000 per accident \$ 700,000 policy limit \$ 300,000 per employee
Liability	09/19/23	\$ 5,000,000 each other loss per occurrence



### **III. INTERNAL CONTROL AND COMPLIANCE SECTION**



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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 Commissioners  
Town of Lookout Mountain, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Town of Lookout Mountain, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Lookout Mountain, Tennessee's basic financial statements and have issued our report thereon dated October 25, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a significant deficiency.

Mayor and Commissioners  
Town of Lookout Mountain, Tennessee  
Page Two

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Lookout Mountain, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-002.

### **Town of Lookout Mountain, Tennessee's Response to Findings**

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

### **Purpose of this Report**

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

*Johnson, Murphy & Wright, P.C.*

Chattanooga, Tennessee  
October 25, 2023

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2023**

**SUMMARY OF AUDIT RESULTS**

**Opinion:**

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Deficiencies:**

One deficiency in internal control was disclosed.

**Material Noncompliance:**

One instance of material noncompliance was disclosed.

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

**INTERNAL CONTROL:**

**FINDING 2023-001 - Approvals and Documentation**

**Criteria:**

Government Auditing Standards Chapter 8.58 (d) states that “inadequate controls for safeguarding of assets” is a control deficiency.

**Condition:**

- 1) Odometer information is not always being entered correctly into the fuel log and current gas logs do not allow for odometer readings to be easily verified.
- 2) Not all credit card receipts could be located. Some credit card purchases were approved by the same employee making the purchase.

**Cause:**

- 1) Each vehicle does not have its own vehicle gas log, making it difficult to verify fuel data.
- 2) A document retention policy was not being followed, so that all credit card receipts were kept and attached to the credit card statement. A separate, authorized employee did not approve all credit card purchases.

**Effect:**

- 1) Without following proper procedures for fuel usage, gas could be used and not properly recorded.
- 2) Without following the document retention policy, unauthorized credit card purchases could be made. Without having a separate, authorized employee approve credit card purchases, improper credit card payments could be made.

**Management's Response:**

We concur. We will look into a better system for keeping up with fuel usage. All credit card receipts will be kept and attached to the credit card statement and credit card purchases will not be approved by the same employee making the purchase.

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Findings and Responses (Continued)**  
**June 30, 2023**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS** (Continued)

**COMPLIANCE:**

**Finding 2023-002 - Related Party Transaction**

**Criteria:**

Tennessee Code Annotated Section 12-4-101 states in part that, "it is unlawful for any officer...whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation...to be directly interested in any such contract."

**Condition:**

A Commissioner owns a building material company. A citizen of the Town used this company to provide a service for their personal residence. The Town reimbursed the citizen for this expense. The total reimbursed by the Town to the citizen for work provided by the Commissioner's company was \$911.

**Cause:**

The transaction was not handled properly and should not have occurred with a related party.

**Effect:**

This transaction leads to a violation of Tennessee Code.

**Management's Response:**

We concur. This was a one time incident that involved a resident's new build. They dug up a section of the road and realized that a town owned pipe in the road needed replacement/repair. The part was purchased and the resident was reimbursed. This was a time sensitive issue that was unavoidable.

**TOWN OF LOOKOUT MOUNTAIN, TENNESSEE**  
**Schedule of Prior Year Findings**  
**June 30, 2023**

<b><u>Prior Year</u></b> <b><u>Finding Number</u></b>	<b><u>Finding Title</u></b>	<b><u>Status/Current Year</u></b> <b><u>Finding Number</u></b>
--	-----------------------------	---

There were no prior findings reported.

# Town of Lookout Mountain

PO BOX 111  
LOOKOUT MOUNTAIN, TENNESSEE 37350

WALKER JONES  
MAYOR

COMMISSIONERS  
JIM BENTLEY  
KAREN LEAVENGOOD  
WILLIAM VALADEZ  
JOE HAILEY

MUNICIPAL JUDGE  
STEVIE PERSINGER



Town Hall 423-821-1226  
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DUANE SCHERMERHORN  
CHIEF OF  
FIRE & POLICE DEPARTMENT

BRIAN SMITH  
ATTORNEY

BROOKE PIPPENGER  
TOWN CONSULTANT

BELINDA ALLEN  
ADMINISTRATION

## CORRECTIVE ACTION PLAN

Management's corrective action plan for our June 30, 2023 audit is as follows:

### 2023-001 Approvals and Documentation

We concur. We will look into more efficient ways to keep track of fuel usage. We will reiterate to all employees with credit cards the importance of keeping receipts and having a supervisor sign off on the purchase.

### 2023-002- Related Party Transaction

We concur. The transaction was made due to a need for timely repair of a major roadway. We understand the issue with a related party and will work to avoid this type of situation in the future.

Respectfully submitted,

Town of Lookout Mountain, Tennessee

Walker Jones, Mayor