

Financial Statements

TOWN OF NEW TAZEWELL, TENNESSEE

Year Ended June 30, 2023

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Mayor and Aldermen
Town of New Tazewell, Tennessee
New Tazewell, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of New Tazewell, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of New Tazewell, 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 each major fund of Town of New Tazewell, Tennessee as of June 30, 2023, the respective changes in its financial position and the respective budgetary comparisons of the general fund, state street aid fund and drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of New Tazewell, 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 misstatements, whether due to fraud or error.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of New Tazewell, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of New Tazewell, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 10, the schedule of changes in net pension liability(asset) on pages 44 to 47 and the schedule of pension contributions on pages 48 to 50 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of New Tazewell, Tennessee's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of investments and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2024 on our consideration of Town of New Tazewell, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of New Tazewell, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Tazewell, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

April 2, 2024

Town of New Tazewell

P.O. Box 609
413 First Avenue
New Tazewell, Tennessee 37824

Phone (423) 626-5242
Fax (423) 626-2050

Jerry H. Beeler, Mayor
Kimberly Mabe, City Recorder

Management's Discussion and Analysis For the Year Ended June 30, 2023

The management of Town of New Tazewell, Tennessee (the Town) presents this management's discussion and analysis (MD&A) of the Town's financial condition and results of operations for the fiscal year ended June 30, 2023. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the Town, also known as the primary government. The government-wide financial statements include only the primary government which, is the total reporting entity.

Financial Highlights

The following are key financial highlights:

- The Town's net position at June 30, 2023 was \$10,088,124 (\$10,347,149 in 2022).
- The Town's net position decreased by \$259,025 (increased by \$139,634 in 2022) or 1 percent during the year ended June 30, 2023 (1 percent in 2022).
- At June 30, 2023 the Town's governmental funds reported combined ending fund balances of \$2,768,677, an increase of \$108,067 for the year ended June 30, 2022. At June 30, 2022 the Town's governmental funds reported combined ending fund balances of \$2,660,610, an increase of \$373,726 for the year ended June 30, 2022. Of the total governmental fund balances, \$2,468,211 (\$2,359,056 in 2022) is unassigned and available for ongoing operations.
- At June 30, 2023 the unassigned general fund balance was \$2,468,211 (\$2,359,056 in 2022) or 93 percent (113 percent in 2022) of general fund expenditures. These unassigned fund balances demonstrate the Town's fiscal discipline and will help meet unexpected emergencies and other uncertainties the Town may face during the course of everyday operations.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all the Town's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may service as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities). The governmental activities of the Town include the following:

- General government
- Public safety
- Parks and pools
- Municipal airport
- Streets and highways
- Solid waste management

The government-wide financial statements can be found on pages 11 to 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. The Town only reports one category: 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 the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund, state street aid fund and the drug fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 20 to 28.

Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This includes the auditors’ report on the Town’s internal controls and compliance.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. At June 30, 2023 the Town’s net position was \$10,088,124 (\$10,347,149 in 2022).

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

At June 30 the Town’s statement of net position consisted of the following:

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 3,235,012	\$ 2,966,724
Capital assets, net of accumulated depreciation	6,527,760	6,948,840
Other assets	<u>501,868</u>	<u>864,052</u>
	10,264,640	10,779,616
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>382,792</u>	<u>391,192</u>
	<u>\$ 10,647,432</u>	<u>\$ 11,170,808</u>
 LIABILITIES		
Current liabilities	\$ 45,775	\$ 37,653
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	92,973	517,545
Deferred grant revenue	<u>420,561</u>	<u>268,461</u>
	513,534	786,006

	<u>2023</u>	<u>2022</u>
NET POSITION		
Net investment in capital assets	6,527,760	6,948,840
Restricted	757,065	1,138,350
Unrestricted	<u>2,803,298</u>	<u>2,259,959</u>
	<u>10,088,124</u>	<u>10,347,149</u>
	<u>\$ 10,647,432</u>	<u>\$ 11,170,808</u>

A portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the Town during the fiscal year:

	<u>2023</u>	<u>2022</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 394,136	\$ 319,407
Operating grants and contributions	496,336	221,930
Capital grants and contributions	251,282	111,281
General Revenue:		
Local taxes	1,361,696	1,331,794
Intergovernmental	335,636	503,188
Interest income	8,056	16,938
Miscellaneous	<u>46,973</u>	<u>6,737</u>
	2,894,115	2,511,275
EXPENSES		
General government	511,652	347,550
Public safety	1,324,387	841,426
Parks and pools	83,589	81,996
Municipal airport	598,781	633,598
Highways and streets	523,578	364,513
Solid waste management	<u>111,156</u>	<u>102,559</u>
	<u>3,153,142</u>	<u>2,371,642</u>
(Decrease)increase in net position	(259,025)	139,634
Net position at the beginning of the year	<u>10,347,149</u>	<u>10,207,515</u>
Net position at the end of the year	<u>\$ 10,088,124</u>	<u>\$ 10,347,149</u>

Governmental Activities - During the year ended June 30, 2023, governmental activities decreased the Town's net position by \$259,025 (increased by \$139,634 in 2022). The decrease in net position was due to payment of a court settlement related to an airport management agreement and street paving expenses. They received fewer capital airport grants during the year. Operating grants increased due to receipt of a CDBG grant to purchase a fire truck which was donated to the Tazewell-New Tazewell Fire Department. The donated fire truck at a cost of \$447,568 is the reason for the increase in public safety expense. Capital grants increased due to the obligation and use of American Rescue Plan funds for the purchase of a street sweeper. Highway and street expense increased due increased paving expense.

The Town's main sources of revenue are from local option sales tax, local beer tax, court revenue, and local and state-shared taxes, which consist of tax revenue shared by the State of Tennessee. The Town does not levy a property tax.

Capital Assets

The Town's investment in capital assets as of June 30, 2023 was \$6,527,760 (\$6,948,840 in 2022) net of accumulated depreciation.

	<u>2023</u>	<u>2022</u>
Land	\$ 476,958	\$ 476,958
Buildings and structures	1,418,969	1,418,969
Vehicles and equipment	1,457,922	1,301,469
Infrastructure	9,920,125	9,920,125
Accumulated depreciation	<u>(6,746,215)</u>	<u>(6,168,681)</u>
	<u>\$ 6,527,760</u>	<u>\$ 6,948,840</u>

The major capital asset additions during the year ended June 30, 2023 were due to the following:

Vehicles and equipment	\$ 156,453
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Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund's fund balance increased by \$127,167 during the year ended June 30, 2023 (\$329,336 in 2022).

Budgetary Highlights

During the year ended June 30, 2023, there was no significant changes between original budgeted revenue and expenditures and the final amended budgeted revenue and expenditures for the State Street Aid Fund and the Drug Fund. Original budgeted revenue of the General Fund were amended to account for increases in grant revenue, fines and forfeitures and rental revenue. Original budgeted expenditures of the General Fund were amended to make line item adjustments within departments and to increase appropriations for court settlement expense, repairs and maintenance and capital outlay expense.

Economic Factors and Next Year's Budgets and Rates

The Board of Mayor and Aldermen approved the budget for the year ending June 30, 2024. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2023, except for increases in expected grant receipts and related-project expenditures.

Requests for Information

This MD&A and accompanying financial statements and notes are designed to provide our citizens, employees, creditors and regulatory agencies with an overview of the Town's finances. If you have any questions or need additional information, you may contact:

Jerry Beeler, Mayor
Town of New Tazewell, Tennessee
P.O. Box 609
New Tazewell, TN 37824
Telephone 423-626-5242

TOWN OF NEW TAZEWELL, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

Cash	\$ 1,789,317
Certificates of deposit	1,089,628
Taxes receivable	76,981
Grants receivable	2,416
Due from other governments	231,402
Inventory	1,473
Prepaid insurance	43,794
Capital assets not being depreciated	476,958
Capital assets being depreciated, net of accumulated depreciation	6,050,802
Net pension asset	<u>501,868</u>
	10,264,640

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>382,792</u>
	<u>\$ 10,647,432</u>

See the accompanying notes to the financial statements.

LIABILITIES

Accounts payable		\$	12,421
Accrued salaries			16,767
Other accrued liabilities			<u>16,587</u>
			45,775

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	\$	92,973	
Deferred grant revenue		<u>420,561</u>	513,534

NET POSITION

Investment in capital assets		6,527,760	
Restricted:			
Drug investigation		56,194	
Street improvements		199,003	
Pension		501,868	
Unrestricted		<u>2,803,298</u>	<u>10,088,124</u>
			<u>\$ 10,647,432</u>

TOWN OF NEW TAZEWELL, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 511,652	\$ 7,036	\$ 310,631	\$ 251,282
Public safety	1,324,387	160,434	8,495	0
Parks and pools	83,589	45,448	0	0
Municipal airport	598,781	181,218	75,944	0
Highways and streets	523,578	0	101,266	0
Waste management	<u>111,156</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	<u>\$ 3,153,142</u>	<u>\$ 394,136</u>	<u>\$ 496,336</u>	<u>\$ 251,282</u>

General Revenue:

Taxes:

- Local sales tax
- T.V.A. in-lieu of tax
- LaFollette Housing in-lieu of tax
- Wholesale beer tax

- Intergovernmental
- Interest income
- Miscellaneous

Total general revenue

CHANGE IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net(Expense)
Revenue and
Change In
Net Position

\$ 57,297
(1,155,458)
(38,141)
(341,619)
(422,312)
(111,156)

(2,011,388)

1,214,789
33,292
4,332
109,283
335,636
8,056
46,973

1,752,361

(259,025)

10,347,149

\$ 10,088,124

TOWN OF NEW TAZEWELL, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 1,566,529	\$ 166,594	\$ 56,194	\$ 1,789,317
Certificates of deposit	1,089,628	0	0	1,089,628
Taxes receivable	60,534	16,447	0	76,981
Grants receivable	2,416	0	0	2,416
Due from other governments	231,402	0	0	231,402
Due from other funds	0	15,962	0	15,962
Inventory	1,473	0	0	1,473
Prepaid insurance	43,794	0	0	43,794
	<u>\$ 2,995,777</u>	<u>\$ 199,004</u>	<u>\$ 56,194</u>	<u>\$ 3,250,975</u>
LIABILITIES				
Accounts payable	\$ 12,421	\$ 0	\$ 0	\$ 12,421
Accrued salaries	16,767	0	0	16,767
Other accrued liabilities	16,587	0	0	16,587
Due to other funds	15,962	0	0	15,962
	<u>61,737</u>	<u>0</u>	<u>0</u>	<u>61,737</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred grant revenue	420,561	0	0	420,561
FUND BALANCES				
Nonspendable	45,267	0	0	45,267
Restricted	0	199,004	56,194	255,198
Unassigned	2,468,211	0	0	2,468,211
	<u>2,513,479</u>	<u>199,004</u>	<u>56,194</u>	<u>2,768,677</u>
	<u>\$ 2,995,777</u>	<u>\$ 199,004</u>	<u>\$ 56,194</u>	<u>\$ 3,250,975</u>

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWEEL, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2023

Total Fund Balance - Governmental Funds	\$ 2,768,677
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	6,527,760
Net pension assets and liabilities, and the related deferred outflows and deferred inflows are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reporting in the governmental funds balance sheet	
Net pension asset	501,868
Deferred outflows of resources	382,792
Deferred inflows of resouces	<u>(92,973)</u>
Net Position of Governmental Activities	<u>\$ 10,088,124</u>

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWELL, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
REVENUE				
Taxes:				
Local sales tax	\$ 1,214,789	\$ 0	\$ 0	\$ 1,214,789
T.V.A. in-lieu of tax	33,292	0	0	33,292
LaFollette Housing in-lieu of tax	4,332	0	0	4,332
Wholesale beer tax	109,283	0	0	109,283
Intergovernmental	987,061	96,194	0	1,083,254
Licenses and permits	6,866	0	0	6,866
Receipts for use of facilities	149,806	0	0	149,806
Charges for services	77,030	0	0	77,030
Fines and forfeitures	151,526	0	8,907	160,434
Interest	7,207	628	221	8,056
Sale of equipment	6,053	0	0	6,053
Miscellaneous	40,920	0	0	40,920
	<u>2,788,167</u>	<u>96,821</u>	<u>9,128</u>	<u>2,894,117</u>
TOTAL REVENUE				
 EXPENDITURES				
Current:				
General government	479,601	0	0	479,601
Public safety	1,329,993	0	0	1,329,993
Parks and pools	59,745	0	0	59,745
Municipal airport	143,259	0	0	143,259
Highways and streets	380,793	125,050	0	505,843
Waste management	111,156	0	0	111,156
Capital outlay	156,453	0	0	156,453
	<u>2,660,999</u>	<u>125,050</u>	<u>0</u>	<u>2,786,050</u>
TOTAL EXPENDITURES				

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWell, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Totals</u>
NET CHANGE IN FUND BALANCES	127,167	(28,229)	9,128	108,067
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>2,386,312</u>	<u>227,232</u>	<u>47,066</u>	<u>2,660,610</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 2,513,479</u>	<u>\$ 199,004</u>	<u>\$ 56,194</u>	<u>\$ 2,768,677</u>

TOWN OF NEW TAZEWELL, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023

Net Change in Fund Balances	\$ 108,067
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Acquisition of capital assets	156,453
Depreciation expense	(577,533)
Pension plan income and expense reported in the statement of activities does not result in current financial resources or require the use of current financial resources; therefore, they are not reported as income or expenditures in the statement of revenue, expenditures and change in fund balance of governmental funds.	
	19,995
Retirement contributions made after the actuarial measurement date at an expenditure in the governmental funds, but increase deferred outflows for governmental activities	
	<u>33,994</u>
Change in Net Position of Governmental Activities	<u>\$ (259,025)</u>

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWELL, TENNESSEE

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

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Local sales tax	\$ 1,000,000	\$ 1,030,551	\$ 1,214,789	\$ 184,238
T.V.A. in-lieu of tax	28,500	37,091	33,292	(3,799)
LaFollette Housing in-lieu of tax	5,583	5,583	4,332	(1,251)
Wholesale beer tax	110,000	194,998	109,283	(85,715)
	1,144,083	1,268,223	1,361,697	93,474
Intergovernmental:				
State gas inspection	4,890	12,891	5,073	(7,818)
State beer tax	750	750	1,264	514
State sales tax	290,000	290,000	329,435	39,435
Sports betting tax	2,000	5,419	4,937	(482)
T.D.O.T. airport grants	90,000	128,917	75,944	(52,973)
ARPA grant	268,732	403,381	251,282	(152,099)
Fire truck grant	0	308,214	310,631	2,417
Public safety grants	0	495	495	0
State police supplement	8,000	8,000	8,000	0
	664,372	1,158,067	987,061	(171,006)
Licenses and permits:				
Business permits	3,500	5,846	5,966	120
Beer license	800	900	900	0
	4,300	6,746	6,866	120

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWELL, TENNESSEE

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

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Receipts for use of facilities:				
Pool admittance/rent	15,750	15,750	33,121	17,371
Airport hangar rent	80,000	101,320	116,685	15,365
	<u>95,750</u>	<u>117,070</u>	<u>149,806</u>	<u>32,736</u>
Charges for services:				
Pool concessions	5,000	5,000	11,858	6,858
Swimming lessons	2,200	2,200	470	(1,730)
Airport fuel	47,000	60,242	64,533	4,291
Duplication services	200	200	170	(30)
	<u>54,400</u>	<u>67,642</u>	<u>77,030</u>	<u>9,388</u>
Fines and forfeitures	109,600	142,951	151,526	8,575
Other revenue:				
Interest	600	19,583	7,207	(12,376)
Sale of equipment	0	6,052	6,053	1
Miscellaneous	11,700	79,080	40,920	(38,160)
	<u>12,300</u>	<u>104,715</u>	<u>54,180</u>	<u>(50,535)</u>
TOTAL REVENUE	2,084,805	2,865,414	2,788,167	(77,247)
EXPENDITURES				
Recorder's office:				
Board salaries	23,400	26,400	25,650	(750)
Salaries and wages	113,536	115,911	95,747	(20,164)
Payroll taxes	11,500	11,500	9,270	(2,230)
Health insurance	31,000	31,000	21,958	(9,042)
Retirement	7,178	7,178	7,976	798
Unemployment	175	175	68	(107)

TOWN OF NEW TAZEWELL, TENNESSEE

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

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Professional services	48,400	48,400	44,793	(3,607)
Publication of legal notices	2,500	1,300	672	(628)
Court settlement	0	130,000	130,000	0
Legal services	2,100	32,100	17,707	(14,393)
Planning and zoning	7,975	7,975	7,975	0
Travel	2,000	1,500	662	(838)
Office supplies and sundry	14,500	14,500	13,390	(1,110)
Operating supplies	3,500	3,500	3,061	(439)
Small items of equipment	20,000	20,000	5,210	(14,790)
Insurance	36,800	51,800	49,556	(2,244)
	<u>324,564</u>	<u>503,239</u>	<u>433,696</u>	<u>(69,543)</u>
City Hall and buildings:				
Salaries and wages	8,970	8,970	705	(8,265)
Unemployment	75	75	0	(75)
Utilities	7,900	8,750	7,026	(1,724)
Telephone	7,000	7,000	4,043	(2,957)
Janitorial supplies and sundry	2,750	3,550	3,136	(414)
Repair and maintenance	7,900	8,350	7,534	(816)
	<u>34,595</u>	<u>36,695</u>	<u>22,444</u>	<u>(14,251)</u>
Other general government:				
Salaries and wages	10,204	10,204	9,354	(850)
Payroll taxes	785	785	716	(69)
Unemployment	50	50	22	(28)
Health insurance	100	100	92	(8)
Public relation	1,375	0	0	0
Gas, oil and grease	750	250	190	(60)
Office supplies and sundry	750	450	398	(52)
Travel	5,250	7,250	6,810	(440)

TOWN OF NEW TAZEWELL, TENNESSEE

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

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Memberships and registrations	1,550	2,401	1,881	(520)
Community donations	4,250	4,500	4,000	(500)
Joint economic committee	864	0	0	0
	<u>25,928</u>	<u>25,990</u>	<u>23,461</u>	<u>(2,529)</u>
Police department:				
Salaries	486,655	505,155	487,052	(18,103)
Payroll taxes	38,930	43,930	37,192	(6,738)
Health insurance	115,000	115,000	102,898	(12,102)
Retirement	26,000	26,000	20,525	(5,475)
Unemployment	500	500	232	(268)
Office supplies and sundry	11,600	26,150	21,738	(4,412)
Uniforms	5,500	4,000	3,457	(543)
E-911	20,000	20,000	19,600	(400)
Firearm supplies	5,000	5,000	4,495	(505)
Safety supplies	500	100	0	(100)
Machinery and equipment	40,000	52,100	15,484	(36,616)
Repair and maintenance	21,000	34,500	13,876	(20,624)
Vehicle repair and maintenance	20,000	25,000	25,593	593
Travel	1,500	1,800	1,783	(17)
Gas, oil, diesel, and grease	25,000	30,000	27,451	(2,549)
Litigation taxes	7,500	11,500	10,155	(1,345)
Miscellaneous	500	1,000	900	(100)
	<u>825,185</u>	<u>901,735</u>	<u>792,430</u>	<u>(109,305)</u>
Tazewell-New Tazewell				
Fire Department	89,996	89,996	89,996	0
Donated fire truck	40,000	225,000	447,568	222,568
	<u>129,996</u>	<u>314,996</u>	<u>537,564</u>	<u>222,568</u>

TOWN OF NEW TAZEWELL, TENNESSEE

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

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Highways and streets:				
Salaries and wages	129,115	132,115	126,577	(5,538)
Payroll taxes	8,985	10,985	9,683	(1,302)
Health insurance	35,900	36,100	35,921	(179)
Retirement	6,706	6,706	5,493	(1,213)
Unemployment	250	250	63	(187)
Utilities	33,000	38,000	31,974	(6,026)
Road and street				
repair and maintenance	37,500	62,500	61,483	(1,017)
Other repairs and maintenance	30,000	86,000	81,550	(4,450)
Repair supplies and sundry	9,000	10,815	5,553	(5,262)
Uniforms	2,000	500	2,446	1,946
Land rental	24,800	4,800	4,996	196
Safety supplies	4,200	221	65	(156)
Gas, oil, diesel, and grease	9,000	14,000	14,074	74
Signs, parts and supplies	1,500	1,500	916	(584)
	<u>331,956</u>	<u>404,492</u>	<u>380,793</u>	<u>(23,699)</u>
Parks and pools:				
Salaries and wages	10,000	26,000	19,147	(6,853)
Payroll taxes	1,000	2,500	1,465	(1,035)
Unemployment	250	250	58	(192)
Utilities	13,900	14,400	13,631	(769)
Telephone	2,000	2,000	1,796	(204)
Repair and maintenance	42,000	34,434	20,459	(13,975)
Operating supplies and sundry	5,350	1,850	1,847	(3)
Janitorial supplies	3,000	3,000	1,344	(1,656)
	<u>77,500</u>	<u>84,434</u>	<u>59,745</u>	<u>(24,689)</u>

TOWN OF NEW TAZEWELL, TENNESSEE

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

GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Municipal airport:				
Salaries and wages	0	0	1,275	1,275
Payroll taxes	0	0	98	98
Health insurance	0	0	105	105
Utilities	8,500	8,500	7,295	(1,205)
Telephone	4,500	4,500	2,422	(2,078)
Operating supplies and sundry	63,350	61,550	56,966	(4,584)
Travel	250	2,250	1,914	(336)
Gasoline	400	1,400	1,451	51
Repair and maintenance	145,250	161,025	71,733	(89,292)
	<u>222,250</u>	<u>239,225</u>	<u>143,259</u>	<u>(95,966)</u>
Solid waste management:				
Landfill facilities	102,400	112,400	109,448	(2,952)
Collection fees	0	0	208	208
Contract services	1,500	1,500	1,500	0
	<u>103,900</u>	<u>113,900</u>	<u>111,156</u>	<u>(2,744)</u>
Capital outlay:				
Police	0	0	36,048	36,048
Highways and streets	5,000	124,405	120,405	(4,000)
General government	6,000	130,000	0	(130,000)
Municipal airport	2,000	15,872	0	(15,872)
	<u>13,000</u>	<u>270,277</u>	<u>156,453</u>	<u>(113,824)</u>
TOTAL EXPENDITURES	<u>2,088,874</u>	<u>2,894,983</u>	<u>2,660,999</u>	<u>(233,984)</u>

TOWN OF NEW TAZEWell, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND
 (continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
NET CHANGE IN FUND BALANCE	(4,069)	(29,569)	127,167	156,736
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>4,069</u>	<u>29,569</u>	<u>2,386,312</u>	<u>2,356,743</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,513,479</u>	<u>\$ 2,513,479</u>

TOWN OF NEW TAZEWELL, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND**

Year Ended June 30, 2023

	Budget			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
REVENUE				
State gasoline tax	\$ 100,000	\$ 100,000	\$ 96,194	\$ (3,806)
Interest	<u>120</u>	<u>120</u>	<u>628</u>	<u>508</u>
TOTAL REVENUE	100,120	100,120	96,821	(3,299)
EXPENDITURES				
Street paving	<u>125,000</u>	<u>125,000</u>	<u>125,050</u>	<u>50</u>
NET CHANGE IN FUND BALANCE	(24,880)	(24,880)	(28,229)	(3,349)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>24,880</u>	<u>24,880</u>	<u>227,232</u>	<u>202,352</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 199,004</u>	<u>\$ 199,003</u>

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWELL, TENNESSEE

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

Year Ended June 30, 2023

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Drug related fines	\$ 3,000	\$ 3,000	\$ 8,907	\$ 5,907
Interest	<u>50</u>	<u>50</u>	<u>221</u>	<u>171</u>
TOTAL REVENUE	3,050	3,050	9,128	6,078
EXPENDITURES				
Equipment	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>(35,000)</u>
TOTAL EXPENDITURES	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>(35,000)</u>
NET CHANGE IN FUND BALANCE	(31,950)	(31,950)	9,128	41,078
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>31,950</u>	<u>31,950</u>	<u>47,066</u>	<u>15,116</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,194</u>	<u>\$ 56,194</u>

See the accompanying notes to the financial statements.

TOWN OF NEW TAZEWell, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE A - DESCRIPTION OF ORGANIZATION

Town of New Tazewell, Tennessee (the Town) was incorporated under Chapter No. 87 of the Public Acts of 1887. The Town operates under a Board of Mayor and Aldermen form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, municipal airport, culture, recreation, public improvements, planning and zoning, and general administrative services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town, for financial reporting purposes, includes all funds relevant to the operation of Town of New Tazewell, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the Town. As of June 30, 2010, and for the year then ended, the Town had no discretely presented component units which were required to be included in these financial statements. However, the Town participates in the following joint venture whereby it shares financial responsibilities with Town of Tazewell, Tennessee.

Tazewell-New Tazewell Fire Department

Town of Tazewell, Tennessee and Town of New Tazewell, Tennessee share equally in the cost of providing fire protection. The Tazewell-New Tazewell Fire Department (the Fire Department) is governed by a committee composed of two members from each of the towns' Boards of Mayor and Aldermen and the fire chief. Each town has a 50% residual interest in the assets of the Fire Department and each town shares equally in the costs of operations. For the year ended June 30, 2023, Town of New Tazewell, Tennessee contributed \$89,996 to the Fire Department. The Town of New Tazewell, Tennessee donated a fire truck to the Fire Department at a cost of \$447,568. Town of New Tazewell, Tennessee maintains the accounting records for the Fire Department. Copies of the separate financial statements of Tazewell-New Tazewell Fire Department are on file at Town of Tazewell City Hall, 1830 Main Street, Tazewell, TN 37879, and at the Town of New Tazewell City Hall, 413 First Avenue, New Tazewell, TN 37825.

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Following is a summary of selected financial information for Tazewell-New Tazewell Fire Department for the year ended June 30, 2023:

Total assets	\$ 914,793
Total equity	918,006
Total revenue	714,716
Total expenditures	236,270

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities report information on all nonfiduciary activities of the Town. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to claims and judgments, are recorded only when the payment is due.

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

The Town reports the following major governmental funds:

The *general fund* 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.

The *state street aid fund* is used to account for the Town's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the Town's boundaries.

The *drug fund* is used to account for costs associated with drug investigation and control and officers' training and purchases of equipment.

The Town had no proprietary funds, internal service funds or fiduciary funds as of or for the year ended June 30, 2022.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net asset groups:

Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2023 has been calculated as follows:

Governmental activities:	
Capital assets	\$ 13,273,974
Accumulated depreciation	<u>(6,746,215)</u>
	<u>\$ 6,527,760</u>

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Town pursuant to those stipulations or that expire by the passage of time. Net position of the state street aid fund is classified as restricted net position because its use is limited to street improvements. Net position of the drug fund is classified as restricted net position because its use is limited to police drug enforcement or education programs. Governmental activities also report restricted net position for pension. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "Restricted" or "Investment in Capital Assets". Unrestricted net position may be designated for specific purposes by action of management or the Board of Mayor and Aldermen or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes 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 Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses, inventory and deposits.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

TOWN OF NEW TAZE WELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Mayor and Aldermen commits resources for specific purposes by passing ordinances.

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Mayor and Aldermen.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of 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.

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure constructed after July 1, 2003, are reported in the applicable governmental activities columns on the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of \$5,000 or more and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

TOWN OF NEW TAZE WELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Inventory

Inventory consists of fuel held for resale at the municipal airport. Purchased products are recorded at cost and contributed products are recorded at estimated wholesale value.

Compensated Absences

The Town's policy is to permit employees to accumulate an unlimited amount of earned but unused vacation leave, which will be paid to employees upon separation from the Town's service. In governmental funds, the cost of vacation leave is recognized when payments are made to employees. Accumulated vacation leave that is expected to be liquidated with available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Employees earn sick leave in varying amounts based on length of service. Because sick leave is not a vested benefit, no liability for accrued sick leave has been included in the accompanying financial statements.

The total accumulated compensated absences for the governmental funds as of June 30, 2023 was \$16,767.

Budgets and Budgetary Accounting

The Board of Mayor and Aldermen are required to adopt, by ordinance, total budget appropriations by line item for all funds. The Town's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). All budget amendments must be approved by the Board of Mayor and Aldermen. Unused appropriations lapse at the end of the year.

Pension

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

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE C - CASH AND INVESTMENTS

Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2023 were as follows:

Checking and savings	\$ 1,789,317
Certificates of deposit	<u>1,089,628</u>
Total	<u>\$ 2,878,945</u>

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

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. All cash balances at June 30, 2023 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers' compensation and general liability insurance coverage. The pooling agreement allows the Pool to make additional assessments or refund surplus revenues to the Town. It is not possible to estimate the amount of such additional assessments or refunds. The Town carries commercial insurance for all other risks of loss, including destruction of property and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE E - CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 476,958	\$ 0	\$ 0	\$ 476,958
<u>Capital assets being depreciated</u>				
Buildings and structures	1,418,969	0	0	1,418,969
Vehicles and equipment	1,301,469	156,453	0	1,457,922
Infrastructure	<u>9,920,125</u>	<u>0</u>	<u>0</u>	<u>9,920,125</u>
	12,640,563	156,453	0	12,797,016
<u>Accumulated depreciation</u>				
Buildings and structures	(1,097,351)	(30,240)	0	(1,127,591)
Vehicles and equipment	(983,429)	(55,846)	0	(1,039,275)
Infrastructure	<u>(4,087,901)</u>	<u>(491,447)</u>	<u>0</u>	<u>(4,579,348)</u>
	<u>(6,168,681)</u>	<u>(577,533)</u>	<u>0</u>	<u>(6,746,215)</u>
	<u>\$ 6,948,840</u>	<u>\$ (421,080)</u>	<u>\$ 0</u>	<u>\$ 6,527,760</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 44,718
Public safety	26,991
Highways and streets	26,458
Parks and pools	23,843
Airport	<u>455,523</u>
	<u>\$ 577,533</u>

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE F - PENSION PLAN

Plan Description

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

Benefits Provided

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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	8
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>15</u>
	<u>39</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% of salary. The Town makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023 employer contributions for the Town were \$33,994 based on a rate of 5.00% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The Town'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.

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

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

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

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-estimate 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%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

TOWN OF NEW TAZE WELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

Discount Rate

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

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Changes in Net Pension Liability(Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a) – (b)</u>
Changes for the year ended June 30, 2022:			
Increase(decrease):			
Service cost	\$ 44,832	\$ 0	\$ 44,832
Interest	179,370	0	179,370
Differences between expected and actual experience	73,465	0	73,465
Changes of assumptions	0	0	0
Contributions - employer	0	35,696	(35,696)
Contributions - employees	0	35,696	(35,696)
Net investment income	0	(134,335)	134,335
Benefit payments, including refunds of employee contributions	(139,841)	(139,841)	0
Administrative expense	<u>0</u>	<u>(1,574)</u>	<u>1,574</u>
Net changes for the year ended June 30, 2022	157,826	(204,358)	362,184
Balances at June 30, 2021	<u>2,682,415</u>	<u>3,546,467</u>	<u>(864,052)</u>
Balances at June 30, 2022	<u>\$ 2,840,241</u>	<u>\$ 3,342,109</u>	<u>\$ (501,868)</u>

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

The following presents the net pension liability(asset) of the Town calculated using the discount rate of 6.75%, 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%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability(asset)	\$ (56,623)	\$ (501,868)	\$ (864,078)

Negative Pension Expense

For the year ended June 30, 2023, the Town recognized negative pension expense of \$20,082.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,645	\$ 92,973
Net difference between projected and actual earnings on pension plan investments	5,615	0
Changes in assumptions	224,538	0
Contributions subsequent to the measurement date of June 30, 2022	<u>33,994</u>	<u>(not applicable)</u>
Totals	<u>\$ 382,792</u>	<u>\$ 92,973</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.

TOWN OF NEW TAZEWELL, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

Year Ending
June 30:

2024	\$ 28,312
2025	15,003
2026	10,568
2027	115,650
2028	43,141
Thereafter	43,141

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, the Town reported a payable of \$7,859 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

NOTE H - COMMITMENT

In July 2021, the Town entered into a contract with a firm to provide airport layout and survey work at a total contract price of \$180,175. As of June 30, 2023, \$130,332 had been paid on this contract.

NOTE I - INTERFUND BALANCES

Amounts due from the general fund to the state street aid fund totaling \$15,962 are the result of state gasoline tax revenue deposited into the general fund and not remitted to the state street aid fund as of June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NEW TAZEWELL, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2023

	Measurement Date at June 30,		
	2022	2021	2020
<u>Total pension liability</u>			
Service cost	\$ 44,832	\$ 38,629	\$ 42,466
Interest	179,370	167,081	152,425
Differences between actual and expected experience	73,465	(23,352)	91,927
Changes of assumptions	0	284,522	0
Benefit payments, including refunds of employee contributions	<u>(139,841)</u>	<u>(100,798)</u>	<u>(60,867)</u>
Net change in total pension liability	157,826	366,082	225,951
Total pension liability - beginning	<u>2,682,415</u>	<u>2,316,333</u>	<u>2,090,382</u>
Total pension liability - ending (a)	2,840,241	2,682,415	2,316,333
<u>Plan fiduciary net position</u>			
Contributions - employer	35,696	33,936	57,852
Contributions - employee	35,696	33,936	32,140
Net investment income	(134,335)	730,793	134,032
Benefit payments, including refunds of employee contributions	(139,841)	(100,798)	(60,867)
Administrative expense	<u>(1,574)</u>	<u>(1,458)</u>	<u>(1,482)</u>
Net change in plan fiduciary net position	(204,358)	696,409	161,675
Plan fiduciary net position - beginning	<u>3,546,467</u>	<u>2,850,058</u>	<u>2,688,383</u>
Plan fiduciary net position - ending (b)	<u>3,342,109</u>	<u>3,546,467</u>	<u>2,850,058</u>
Net pension liability(asset) - ending (a) - (b)	<u>\$ (501,868)</u>	<u>\$ (864,052)</u>	<u>\$ (533,725)</u>

See the accompanying independent accountants' audit report.

Measurement Date at June 30,					
2019	2018	2017	2016	2015	2014
\$ 37,331	\$ 39,648	\$ 33,269	\$ 29,405	\$ 27,253	\$ 30,982
151,382	146,515	136,662	123,841	125,286	128,551
(119,159)	(55,585)	21,996	85,479	(70,993)	(106,989)
0	0	78,004	0	0	0
<u>(59,732)</u>	<u>(62,533)</u>	<u>(92,623)</u>	<u>(50,646)</u>	<u>(155,299)</u>	<u>(29,380)</u>
9,822	68,045	177,308	188,079	(73,753)	23,164
<u>2,080,560</u>	<u>2,012,515</u>	<u>1,835,207</u>	<u>1,647,128</u>	<u>1,720,881</u>	<u>1,697,717</u>
2,090,382	2,080,560	2,012,515	1,835,207	1,647,128	1,720,881
56,029	54,658	52,172	48,862	46,854	43,622
30,286	29,545	28,201	26,412	25,249	27,539
185,435	189,148	231,617	52,627	60,185	281,402
(59,732)	(62,533)	(92,623)	(50,646)	(155,299)	(29,380)
<u>(1,532)</u>	<u>(1,615)</u>	<u>(1,443)</u>	<u>(1,240)</u>	<u>(711)</u>	<u>(581)</u>
210,486	209,203	217,924	76,015	(23,722)	322,602
<u>2,477,897</u>	<u>2,268,694</u>	<u>2,050,770</u>	<u>1,974,755</u>	<u>1,998,477</u>	<u>1,675,875</u>
<u>2,688,383</u>	<u>2,477,897</u>	<u>2,268,694</u>	<u>2,050,770</u>	<u>1,974,755</u>	<u>1,998,477</u>
<u>\$ (598,001)</u>	<u>\$ (397,337)</u>	<u>\$ (256,179)</u>	<u>\$ (215,563)</u>	<u>\$ (327,627)</u>	<u>\$ (277,596)</u>

TOWN OF NEW TAZEWELL, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

(continued)

June 30, 2023

	Measurement Date at June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Plan fiduciary net position as a percentage of total net pension liability	117.67%	132.21%	123.04%
Covered payroll	\$ 713,919	\$ 678,725	\$ 642,801
Net pension liability(asset) as a percentage of covered employee payroll	(70.30%)	(127.31%)	(83.03%)

Notes to Schedule

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

Changes of Assumptions

During the year ended June 30, 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. During the year ended June 30, 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.

	Measurement Date at June 30,					
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
128.61%	119.10%	112.73%	111.75%	119.89%	116.13%	
\$ 605,720	\$ 590,901	\$ 564,015	\$ 528,242	\$ 506,529	\$ 550,784	
(98.73%)	(67.24%)	(45.42%)	(40.81%)	(64.68%)	50.40%	

TOWN OF NEW TAZEWell, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2023

	<u>2023</u>	<u>Year Ended June 30,</u>		<u>2020</u>
		<u>2022</u>	<u>2021</u>	
Actuarially determined contributions	\$ 0	\$ 0	\$ 0	\$ 11,056
Contributions in relation to the actuarially determined contributions	<u>(33,994)</u>	<u>(35,696)</u>	<u>(33,936)</u>	<u>(57,852)</u>
Contribution deficiency(excess)	<u>\$ (33,994)</u>	<u>\$ (35,696)</u>	<u>\$ (33,936)</u>	<u>\$ (46,796)</u>
Covered payroll	\$ 677,781	\$ 713,919	\$ 678,725	\$ 642,801
Contributions as a percentage of covered payroll	5.00%	5.00%	5.00%	9.00%

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

See the accompanying independent accountants' audit report.

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
	\$ 18,111	\$ 17,688	\$ 52,172	\$ 48,862	\$ 46,854	\$ 43,622
	<u>(56,029)</u>	<u>(54,658)</u>	<u>(52,172)</u>	<u>(48,862)</u>	<u>(46,854)</u>	<u>(43,622)</u>
	<u>\$ (37,918)</u>	<u>\$ (36,970)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 605,720	\$ 590,901	\$ 564,015	\$ 528,242	\$ 506,529	\$ 550,784
	9.25%	9.25%	9.25%	9.25%	9.25%	7.92%

TOWN OF NEW TAZEWELL, TENNESSEE

PENSION CONTRIBUTIONS

(continued)

June 30, 2023

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determined 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% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, 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%

Changes of Assumptions

In 2021 the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost of living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017 the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost of living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

SUPPLEMENTARY INFORMATION

TOWN OF NEW TAZEWELL, TENNESSEE

INVESTMENTS

June 30, 2023

<u>Certificate of Deposit</u>	<u>Interest Rate</u>	<u>Amount</u>
Citizens Bank #56554	2.0%	\$ 877,599
Citizens Bank #56863	1.9%	<u>212,029</u>
		<u>\$ 1,089,628</u>

See the accompanying independent accountants' audit report.

TOWN OF NEW TAZE WELL, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2023

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number/ Program Name</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Transportation/ Tennessee Department of Transportation	20.106	3-47-SBGP-67/ Airport Improvement Program	\$ 17,280
U.S. Department of Transportation/ Tennessee Department of Transportation	20.106	AERO-21-299-00/ Airport Improvement Program	40,629
U.S. Department of Transportation/ Tennessee Department of Transportation	20.106	3-47-SBGP-65/ Airport Improvement Program	<u>5,789</u>
Total Airport Improvement Program			63,698
U.S. Department of Housing and Urban Development/Tennessee Department of Economic and Community Development	14.228	3300405105/ Community Development Block Grants	310,631
U.S. Department of the Treasury/ Tennessee Finance and Administration	21.027	N.A./Coronavirus State and Local Fiscal Recovery Funds	<u>251,282</u>
Total Federal Awards			625,611
<u>State Financial Assistance</u>			
Tennessee Department of Transportation	N.A.	N.A.	<u>12,246</u>
Total Federal Awards and State Financial Assistance			<u>\$ 637,857</u>

See the accompanying independent accountants' audit report.

TOWN OF NEW TAZEWELL, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

Year Ended June 30, 2023

BASIS OF PRESENTATION

This schedule summarizes the expenditures of Town of New Tazewell, Tennessee under programs of the federal and state governments for the year ended June 30, 2023. The schedule is presented using the full accrual basis of accounting. Because this schedule presents only a portion of the operations of Town of New Tazewell, Tennessee, it is not intended and does not present the net position or changes in net position of Town of New Tazewell, Tennessee.

INDIRECT COST RATE

Town of New Tazewell, Tennessee did not elect to use the 10% de minimis indirect cost rate; however, no indirect costs were allocated to the federal awards during the year ended June 30, 2023.

OUTSTANDING LOAN BALANCES

Town of New Tazewell, Tennessee had no outstanding federal loan balances at June 30, 2023.

OTHER INFORMATION

TOWN OF NEW TAZE WELL, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2023

Jerry Beeler, Mayor
Stanley Leonard, Vice-Mayor
Jeff Lewis, Alderman
Nita Louthan, Alderwoman
Alex Sorke, Alderman
Charles DeBusk, Alderman
Franklin Essary, Alderman
Kimberly Mabe, CMFO, City Recorder

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Mayor and Aldermen
Town of New Tazewell, Tennessee
New Tazewell, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities and each major fund of Town of New Tazewell, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of New Tazewell, Tennessee's basic financial statements, and have issued our report thereon dated April 2, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of New Tazewell, 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of New Tazewell, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of New Tazewell, 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 Town of New Tazewell, Tennessee'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. 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 finding, recommendation and management response as item 2023-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of New Tazewell, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of New Tazewell, Tennessee's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Town of New Tazewell, Tennessee's response to the finding identified in our audit and described in the accompanying schedule of finding, recommendation and management response. The Town of New Tazewell, 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 Town of New Tazewell, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Tazewell, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

April 2, 2024

TOWN OF NEW TAZEWELL, TENNESSEE

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

Year Ended June 30, 2023

Finding Number 2023-001 – Bank reconciliations

Condition: Bank reconciliations were not prepared in a timely manner. Bank reconciliations did not reconcile to the recorded general ledger balance. Bank reconciliations were not signed or dated by the preparer and there was no indication that bank reconciliations were reviewed by anyone other than the preparer.

Cause: Bank reconciliations were not prepared and reviewed in compliance with Town of New Tazewell, Tennessee’s internal control policy manual.

Criteria: Sound internal controls include preparing bank reconciliations in a timely manner, ensuring reconciliations reconcile to the recorded bank balance and carefully reviewing reconciliations and investigating differences as needed.

Effect or potential effect: As a result of the deficiencies identified, material deposits were not recorded in the accounting records for several months and once recorded were recorded to the wrong account.

Recommendation: Management should ensure bank reconciliations are prepared in accordance with Town of New Tazewell, Tennessee’s internal control policy manual. Bank reconciliations should be signed and dated by the preparer. Bank reconciliations should be reviewed by someone other than the preparer and that review should be documented with the reviewer’s signature.

Management Response: Beginning in August 2023, the current recorder and then bookkeeper began reconciling the general fund account each month within 10 days of the end of the month. In January 2023 the current recorder and then bookkeeper began reconciling all funds. In January 2024 the waste management account, state street aid fund account and drug fund account were unreconciled as of November 2023. Those accounts were immediately reconciled and have been reconciled each month within 10 days of the end of the month. Historically the bookkeeper solely reconciled the general fund and the other accounts were the responsibility of the City Recorder. In March 2024 the court clerk was trained to reconcile and/or review and verify bank reconciliations to ensure they are properly carried out. The current recorder has explained to all employees the importance of reconciling in a timely manner and the requirement for signed documentation to ensure the Town of New Tazewell, Tennessee remains in compliance moving forward.

TOWN OF NEW TAZE WELL, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2023

There were no prior year findings reported.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Town of New Tazewell

P.O. Box 609
413 First Avenue
New Tazewell, Tennessee 37824

Phone (423) 626-5242
Fax (423) 626-2050

Jerry Beeler, Mayor

MANAGEMENT'S CORRECTIVE ACTION PLAN

Town of New Tazewell, Tennessee submits the following corrective action plan for the year ended June 30, 2023. The finding from the June 30, 2023 schedule of finding, recommendation and management response is discussed below. Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to Town of New Tazewell, Tennessee.

Savannah Green, City Recorder
Town of New Tazewell, Tennessee
P.O. Box 609
New Tazewell, Tennessee
Telephone 423-626-5242

Finding Number 2023-001 – Bank reconciliations

Recommendation: Management should ensure bank reconciliations are prepared in accordance with Town of New Tazewell, Tennessee's internal control policy manual. Bank reconciliations should be signed and dated by the preparer. Bank reconciliations should be reviewed by someone other than the preparer and that review should be documented with the reviewer's signature.

Management Response:

Response and corrective action plan prepared by: Savannah Green

Person responsible for implementing the corrective action: Savannah Green

Anticipated completed date of corrective action: Immediate

Repeat finding: No

Planned corrective action: Beginning in August 2023, the current recorder and then bookkeeper, began reconciling the General Fund account each month within 10 days of the end of the month. In January 2023, the current recorder and then bookkeeper, began reconciling all funds. In January 2024, the waste management account, State Street Aid Fund account and Drug Fund account were unreconciled as of November 2023. Those accounts were immediately reconciled and have been reconciled each month within 10 days of the end of the month. Historically the bookkeeper solely reconciled the General Fund and the other accounts were the responsibility of the City Recorder. In March 2024, the court clerk was trained to reconcile and/or review and verify bank

reconciliations to ensure they are properly carried out. The current recorder has explained the importance of reconciling in a timely manner and the requirement for signed documentation to all employees to ensure the Town of New Tazewell, Tennessee remains in compliance moving forward.

Signature: Savannah Green

Title: City Recorder

Date: April 2, 2024